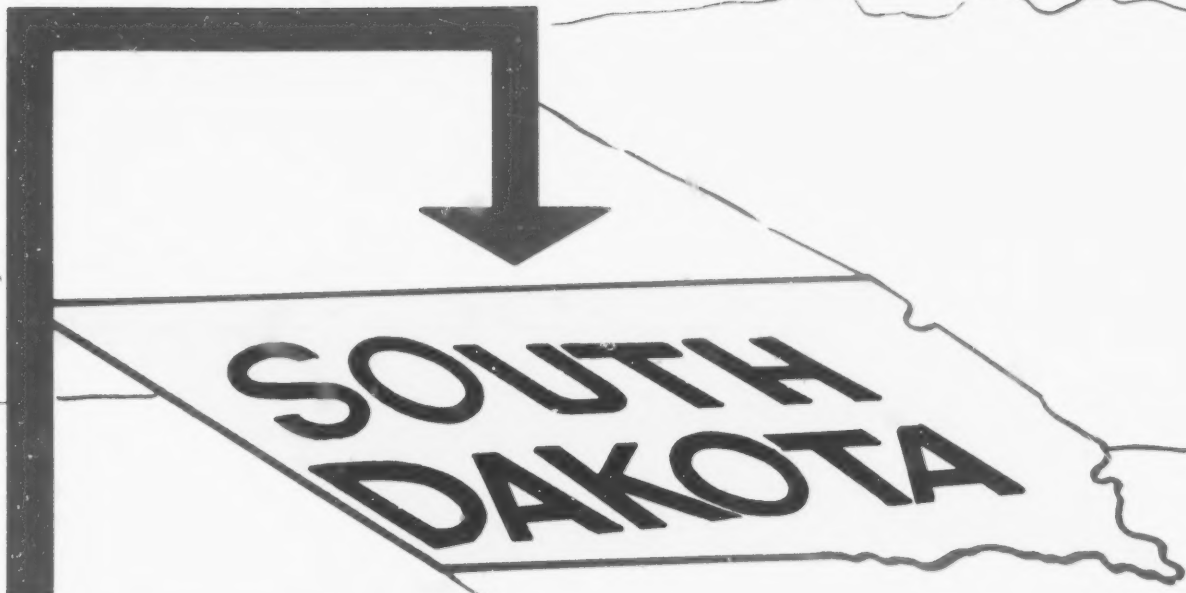
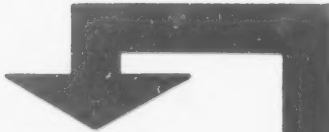


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**SOUTH
DAKOTA**

BUSINESS REVIEW



**BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
UNIVERSITY OF SOUTH DAKOTA**

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Personal Income 1979

Introduction

For calendar year 1979, total personal income in South Dakota on an annualized current dollar basis was 5.137 billion dollars. This represents a 13.15 percent change from calendar year 1978. Adjusted for inflation total personal income increased by 1.72 percent from calendar year 1978. This issue of the *South Dakota Business Review*, as in the past, reports and reviews the most recent updated information on the sources of this personal income. The data reported is collected

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and published by the Bureau of Economic Analysis, U.S. Dept. of Commerce. Comparable data pertaining to other states is contained in the August issue of the *Survey of Current Business*.

Definitions

Personal income is defined as all current income received, including interest, royalties, and dividends. The six major components of personal income may be defined as follows:

1. **Wage and Salary Disbursements** is comprised of wages and salaries inclusive of executive's compensation, commissions, tips and bonuses, and the value of payments in kind which represent income to the recipient.
2. **Other Labor Income** includes employers' contributions under private pensions, health and welfare, and group insurance plans; compensation for injuries, pay for military reservists, directors' fees, and several minor items.
3. **Proprietor's Income** measures the net business earnings of owners of unincorporated enterprises, consisting almost entirely of sole proprietorships and partnerships, but also including producers' cooperatives, and other numerically minor forms of non-corporate business.
4. **Property Income** consists of rental income, dividends, and interest income of persons.
5. **Transfer Payments** consist of receipts by persons from government and business (other than government interest) for which no services are currently rendered.
6. **Contributions for Social Insurance** include contributions made by individuals under the various social insurance programs. Payments by both employers and self-employed are included. These contributions are excluded from personal income by handling them as an explicit deduction item.

As personal income represents primarily payments to individuals for productive services rendered measured movements in the series reflects underlying productive forces. Changes in productive forces result from changing market conditions and as such personal income represents a useful indicator of economic activity.

Total Personal Income

Tables I and II report total personal income in millions of absolute dollars and percentage change between 1978 and 1979 and 1970 and 1979 by selected states in the Plains Region as well as for the United States.

TABLE I
TOTAL PERSONAL INCOME
Plains Region and States
1970-1979
(Millions of Dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Iowa	10,336	10,774	11,359	12,030	12,276	12,898	13,736	14,422	15,273	16,455
Kansas	8,174	8,244	7,770	11,068	12,477	13,577	14,915	16,494	18,717	20,573
Minnesota	14,571	15,415	16,070	19,080	19,170	20,406	21,571	22,906	24,571	26,491
Missouri	17,119	18,363	19,073	22,261	23,905	25,349	26,411	27,920	29,689	31,555
Nebraska	5,447	5,444	6,458	7,014	8,039	9,107	9,402	10,107	11,752	12,669
North Dakota	1,924	2,159	2,674	3,070	3,780	4,755	5,717	6,467	8,201	9,438
South Dakota	2,072	2,229	2,800	3,376	4,040	5,401	5,946	6,505	8,040	9,137
Plains Region	54,740	61,677	70,917	83,754	87,712	95,502	102,044	110,973	121,121	131,697
United States	793,445	861,952	935,463	1,026,703	1,107,757	1,206,433	1,274,169	1,353,661	1,433,994	1,510,171

Source: Bureau of Economic Analysis, U.S. Department of Commerce

TABLE II
PERCENT CHANGES IN TOTAL PERSONAL INCOME
Selected States and Selected Years

State	% Change 1974/1970	% Change 1979/1978
Iowa	18.1	10.4
Kansas	45.1	18.9
Minnesota	14.7	13.6
Missouri	10.4	12.6
Nebraska	51.1	16.3
North Dakota	96.4	6.4
South Dakota	17.9	18.1
Plains Region	14.0	13.5
United States	14.0	12.0

Source: Computed from Table I

Table II reveals that total personal income in 1979 in South Dakota grew at a 13.1 percent rate which exceeds the rate of growth in the United States by 0.4 percent. Relative to the Plains States, South Dakota grew at a slightly lower rate. Of the Plains States reported, three reported rates of growth which were smaller than the state of South Dakota. Those recording a slower rate of growth include North Dakota, Iowa, and Missouri.

During the period 1978 to 1979 the consumer price index increased by 11.26 percent. For those wrestling with the difficulty of balancing their budgets the impact of such an increase in the CPI is apparent. No longer will the same level of personal income purchase the same amount of physical goods as previously. This is not only true for the individual but also for businesses and governmental bodies. For this reason it is important that personal income be adjusted for the impact that inflation has had upon it. To make this adjustment, nominal personal income is divided by the consumer price index. Table III summarizes the consumer price index for the period 1969 to 1979.

TABLE III
CONSUMER PRICE INDEX
1969-1979

Year	1969=100	1979=100
1969	100.0	100.0
1970	101.2	101.2
1971	102.5	102.5
1972	103.8	103.8
1973	105.1	105.1
1974	106.4	106.4
1975	107.7	107.7
1976	109.0	109.0
1977	110.3	110.3
1978	111.6	111.6
1979	112.9	112.9

* U.S. Department of Labor
** Average annual index

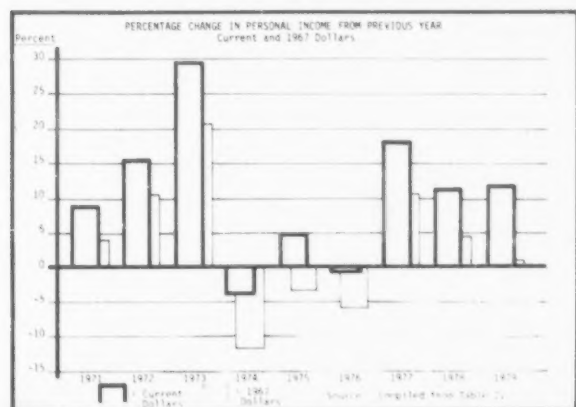
Table IV shows the percent change in total personal income in South Dakota in both current and 1967 dollars.

TABLE IV
TOTAL PERSONAL INCOME
IN SOUTH DAKOTA
Current and 1967 Dollars

Year	In Current Dollars *	% Change From Previous Year	In 1967 Dollars *	% Change From Previous Year
1970	2072		1762	
1971	2259	9.03	1862	4.49
1972	2610	15.54	2081	11.82
1973	3378	29.43	2536	21.84
1974	3240	-4.09	2194	-13.55
1975	3401	4.97	2120	-3.43
1976	3360	-0.10	1993	-6.05
1977	4035	20.75	2223	11.54
1978	4540	12.52	2321	4.50
1979	5137	13.15	2363	1.85

* In Millions of Dollars

For 1979 the growth in inflation adjusted total personal income is 1.72 percent as contrasted to a nominal growth of 13.15 percent. To further graphically illustrate the difference between the two measures of income the following chart is provided.



Review of the chart reveals that the growth rate in 1979 was greater than in 1978; however, the growth rate in real income was actually less in 1979. This occurred because of the rapid rate of inflation as compared to the rate in 1978.

Review of the data thus far suggests a declining rate of growth in real personal income in the state of South Dakota. Further evidence as to the more recent trends in total personal income is revealed by investigating the quarterly personal income data supplied by the Bureau of Economic Analysis. This data is an estimate of quarterly total personal income. The following table shows quarterly total personal income from 1978 first quarter to 1980 second quarter as well as the percentage change from the previous quarter.

TABLE V
SOUTH DAKOTA
QUARTER BY QUARTER
GROWTH IN TOTAL PERSONAL INCOME
1978-1 to 1980-2

Quarter	Total Personal Income* Seasonally Adjusted Annual Rates	Percent Change from Previous Quarter
1978-1	\$4,371	8.1
2	4,401	6.8
3	4,476	1.70
4	4,912	9.74
1979-1	4,881	-0.63
2	5,093	4.34
3	5,145	1.02
4	5,428	5.50
1980-1	5,397	-0.57
2	5,361	-0.67

* In millions of dollars
Source: Bureau of Economic Analysis, U.S. Department of Commerce

Total personal income in second quarter 1980 declined for the second quarter in a row. This data is in nominal terms and does not reflect the impact of inflation which would further depress the figures. This downward trend has been apparent since the second quarter in 1979 following a sizeable increase in that quarter.

Major Sources in Personal Income

Table VI summarizes the major sources of personal income for the years 1976 through 1979.

TABLE VI
PERSONAL INCOME BY MAJOR SOURCES
South Dakota
1976, 1977, 1978, 1979

	1976	1977	1978	1979	% Change 1978/1979
Personal Income	3,390	4,035	4,540	5,137	13.2
By Place of Residence					
Personal Income from					
Dividends, Interest, Rent and	614	674	723	823	13.8
Residence Adjustment	513	569	591	662	12.0
Transfer Payments					
Less: Personal Contributions					
for Social Insurance by					
Place of Work	155	162	183	211	15.3
Total Labor & Proprietors Income	2,426	2,973	3,408	3,862	13.3
By Type					
Wage & Salary Disbursements	1,878	2,057	2,330	2,594	11.3
Proprietor's Income	397	744	879	1,037	18.0
Farm	129	877	577	705	22.2
Nonfarm	268	267	302	332	9.9
Other Labor Income	150	172	200	231	15.5
By Industry					
Farm	172	522	625	766	22.6
Nonfarm	2,254	2,451	2,783	3,097	11.3
Private	1,689	1,854	2,125	2,393	12.6
Gov. Serv., Forestry, Fish, & Other	10	11	13	15	15.4
Mining	41	44	50	60	20.0
Construction	177	199	232	238	2.6
Manufacturing	257	284	330	399	20.9
Durable	108	124	153	197	28.8
Non-durable	149	160	177	202	14.1
Wholesale Trade	206	214	241	275	14.1
Retail Trade	315	331	371	414	11.6
Finance, Insurance, and					
Real Estate	118	140	161	178	10.6
Banking	45	50	55	63	14.6
Other Finance, Insurance					
and Real Estate	73	90	106	115	8.5
Transportation and Public					
Utilities	188	213	244	274	12.3
Railroads	24	26	28	35	25.0
Trucking and					
Warehousing	64	76	91	101	11.0
Other Transportation	(D)	(D)	(D)	(D)	--
Communications	49	55	63	71	12.7
Electric, Gas, and					
Sanitary Services	39	42	47	51	8.5
Services	379	418	481	540	12.3
Hotels & Other Lodging	19	24	27	28	3.7
Personal Services	22	23	25	27	8.0
Private Households	15	16	(D)	(D)	--
Business & Repair Services	41	45	56	65	16.1
Amusement & Recreation	11	12	14	15	7.1
Professional, Social &					
Related Services	272	297	(D)	(D)	--
Government & Gov't. Enterprises	365	597	658	703	6.8
Federal, Civilian	157	165	175	182	4.0
Federal, Military	77	80	89	93	4.5
State & Local	331	352	394	428	8.6

Source: Bureau of Economic Analysis, U.S. Department of Commerce
(D) - Not shown to avoid disclosure of confidential information

(Continued on page 6)

Trend of Business

This issue of the **South Dakota Business Review** presents three new business indicators and modifies the format for presentation of the South Dakota business indicators. The new business indicators include real personal income, real farm proprietors' income, and the unemployment rate for South Dakota. Of those indicators reported in the past we will continue to report construction employment and new car and truck sales. Gross postal receipts and life insurance sales have been dropped. For each series, quarterly data for the past five years is presented. This will better allow the reader to monitor general trends as well as cyclical movements in each series.

The new series were selected because it was felt that they provide a better measure of economic developments in the state than the old set of business indicators. Real personal income and real farm income reflect current production and income trends in the state. Personal income, farm income and retail sales are all stated in real terms which means they have been adjusted for inflation. Real personal income reflects overall income, while real farm income reflects income trends in South Dakota's largest industry. Real taxable retail sales provides information with respect to consumption and trade activities in the state. New car and new truck sales also provide a measure of durable consumption spending. Construction employment provides information on fixed capital investment spending in South Dakota. Finally, the unemployment rate provides a measure of cyclical employment trends and often reflects activities in the manufacturing sector which are quite cyclically sensitive. Table 1 presents a list of these indicators, the process they represent, and their cyclical timing. Not specifically represented is the financial sector. Two reasons for this omission are: (1) the intent of the business indicators is to better reflect real economic activity, and (2) at the state level, as opposed to at the national level, financial activities basically support rather than initiate changes in real economic activity.

Table 1
South Dakota's
Economic Indicators

Indicator	Process Represented	Cyclical Timing
Real Personal Income	Production & Income	Coincident
Real Farm Income	Production & Income	Unclassified
Real Taxable Retail Sales	Consumption & Trade	Coincident
Construction Employment	Fixed Capital Investment	Leading
New Car & Truck Registration	Consumption & Trade	Coincident
Unemployment Rate	Employment & Unemployment	Leading at Peaks and Lagging at Troughs

Business indicators are often classified in accordance with their timing relative to national business cycles. Leading indicators are indicators which tend to lead broad movements in economic activity, while roughly coincident indicators and lagging indicators tend to coincide and lag these movements. Of the South Dakota business indicators reported construction employment and new car and truck registrations are considered leading indicators, while real personal income and real retail sales, are considered roughly coincident indicators. The unemployment rate is considered a leading indicator at business cycle peaks and a lagging indicator at business cycle troughs. Real farm proprietors' income is unclassified as farm income is not consistently related to business cycles. Table 1 summarizes these relationships.

All business indicators are seasonally adjusted and with the exception of the unemployment rate, are presented in index form where 1972 equals 100. Movement in each series reflects

trend, cyclical, and irregular components. Seasonal adjustment removes the seasonal component.

Review of each of the business indicators may be useful.

Real Personal Income Index

Note that real personal income reached a low point in second quarter of 1976 and third quarter of the same year. Following that period the series moved up steadily to reach a peak in the last half of 1978. Following the fourth quarter of 1978 the series remained relatively stable for five quarters before beginning its decline in the first and second quarter of 1980. This corresponds very closely to the national coincident indicator. It also corresponds to the National Bureau of Economic Research declaration of the beginning of the current downturn as being in about the first quarter of 1980. There are those who believe that the actual decline or at least the early signals leading to decline were first detected in approximately the second quarter of 1979. This series suggests that indeed that may have been the case.

Real Taxable Retail Sales

This series behaves in a manner very similar to that of real personal income. The series suggests that the economy peaked out in approximately the second quarter of 1978 and throughout 1978 and early part of 1979, the economy remained relatively stable. This series more strongly reflects the beginning of the decline as having been in the second quarter of 1979. The sizable drop in the second quarter of 1980 occurred not only because of the drop in nominal taxable sales but also because of the higher rate of inflation in that quarter. It is clear, however, again that early in 1980 the South Dakota economy behaved in a manner similar to that of the nation as a whole.

Construction Employment Index

As earlier suggested the construction employment index may be viewed as being a leading index. It clearly peaked in the first half of 1978 and has been declining since that time. Indeed, in retrospect the signals provided an early warning that a contraction was coming in early 1979. At publication time the October construction employment figures are not yet available. With publication of this series further indication of whether the economy continues to decline or whether a turn around may be beginning may be provided.

Real Farm Income Index

Farm income in South Dakota in nominal and real terms tends to fluctuate considerably. Following a low point in third quarter of 1976 which was a drought period in South Dakota, farm income moved up to a peak in early 1978 and has oscillated within a relatively narrow range since that time with a decline beginning in the first half of 1980.

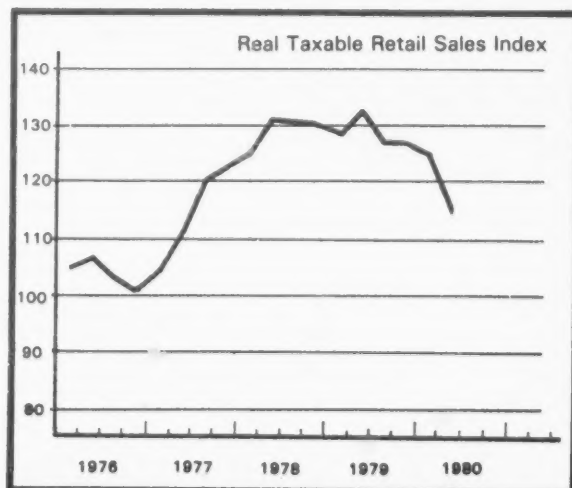
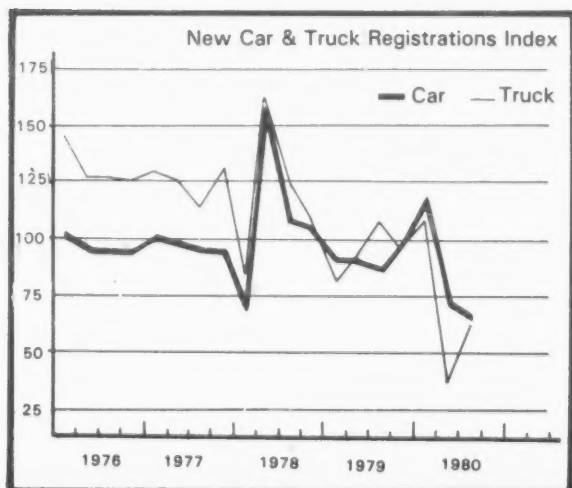
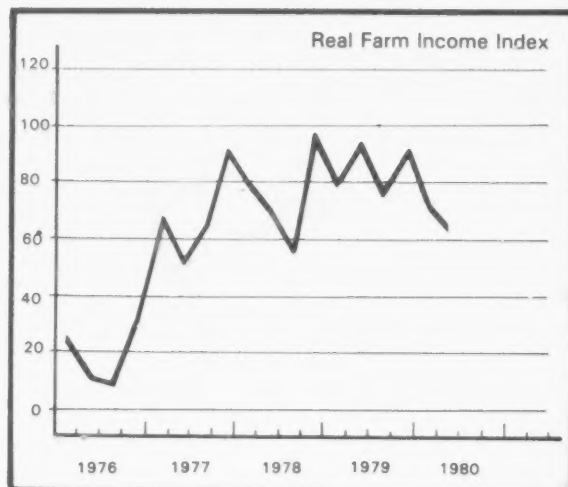
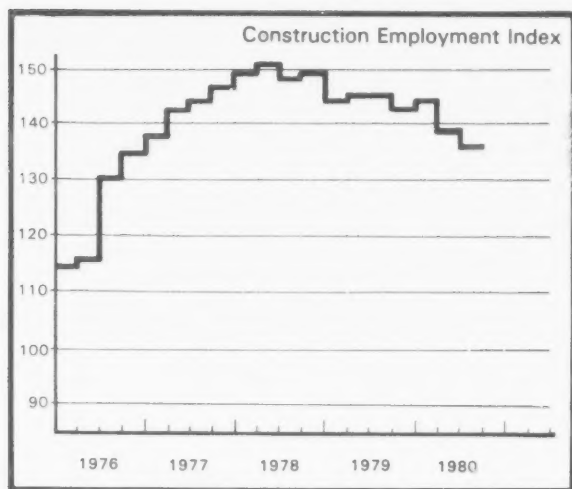
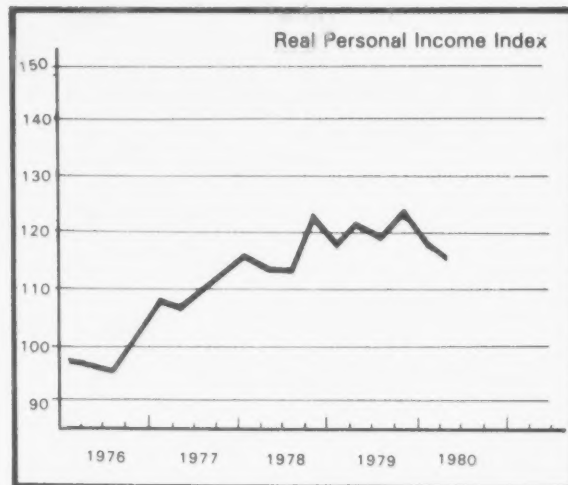
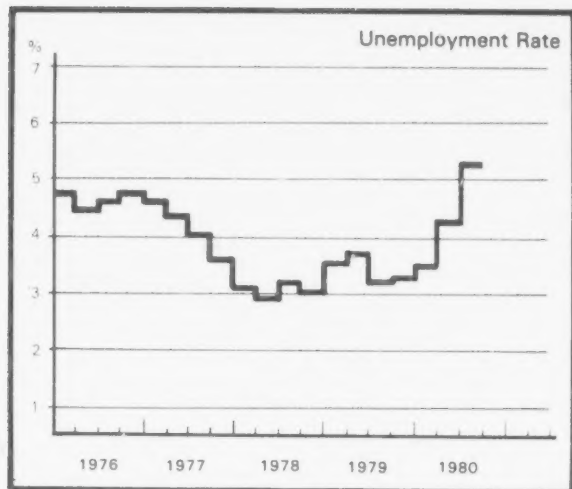
Unemployment Rate

Unlike the other series this series is not presented in index form. This index has moved in a pattern closely resembling that of the other indices. Note that it bottomed out in the second quarter of 1978. From that low point it oscillated before beginning a sharp increase in the first three quarters of 1980. The unemployment rate is at its highest level in the postwar period. This series, as is the case with construction

(Continued on page 9)

SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1976-1980
Adjusted for Seasonal Variation



PERSONAL INCOME 1979 (Continued from page 3)

As in the past dividends, interest and rent as well as transfer payments continue to grow at a relatively stable pace. Investigation of the personal income by type reveals that income received by proprietors has grown at a slightly greater pace than income received in the form of wages and salary. Of the proprietors income the farm proprietors' income grew at approximately double the rate of the nonfarm proprietors' income. Likewise, if the data is investigated by industry, in 1979 farm income grew at a pace of approximately double that of the nonfarm sector. Further delineating the nonfarm private versus the nonfarm public income shows that the nonfarm private income grew at a pace slightly greater than the growth in income generated by various government enterprises. In the manufacturing sector income generated in durable manufacturing also grew at a more rapid pace than in the nondurable industries. Finally, in the service industries which as a group grew at a 12.3 percent rate, income generated by firms in business and repair services grew at 16.1 percent which was considerably more than in the remaining service industries. The distribution of industrial sources is further summarized in Table VII. These distributions remain approximately the same as they have been in the past.

TABLE VII
PERCENTAGE DISTRIBUTION OF INCOME
FROM INDUSTRIAL SOURCES
South Dakota
1977, 1978, 1979
(Millions of Dollars)

	1977		1978		1979	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Total Labor & Proprietors Income	2,973	100.0	3,408	100.0	3,862	100.0
Farms	527	17.5	625	18.3	766	19.8
Agricultural Serv., Forestry, Fisheries, Other	21	0.4	13	0.4	15	0.4
Wholesale Trade	214	7.2	241	7.1	275	7.1
Retail Trade	331	11.1	371	10.9	414	10.7
Government	197	6.6	203	6.0	213	5.5
Services	418	14.0	481	14.1	540	14.0
Manufacturing	284	9.6	330	9.7	399	10.3
Trans., Pub. Utility	213	7.2	244	7.2	274	7.1
Construction	199	6.7	237	6.9	238	6.2
Finance, Insurance & Real Estate	140	4.7	161	4.7	179	4.6
Mining	44	1.5	50	1.5	61	1.6

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

Comparisons of personal income data published for 1979 with data in this article reveals a number of differences. These differences result due to revisions which are regularly made by the Bureau of Economic Analysis.

Per Capita Personal Income

Table VIII summarizes per capita personal income for the Plains Region and states as well as the United States.

TABLE VIII
PER CAPITA PERSONAL INCOME
Plains Region and States
1970-1979
(Dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Iowa	3,643	3,780	4,218	5,186	5,330	5,807	6,171	6,899	7,905	8,772
Kansas	3,725	4,017	4,470	5,154	5,506	5,955	6,444	7,110	7,975	9,233
Minnesota	3,819	3,999	4,358	5,113	5,424	5,785	6,214	7,106	7,858	8,865
Missouri	3,654	3,887	4,364	5,010	5,475	5,935	6,617	7,341	8,251	9,185
Nebraska	3,657	3,904	4,364	5,113	5,198	5,087	6,057	6,861	7,491	8,684
North Dakota	3,077	3,448	4,235	5,117	5,883	5,896	5,756	5,587	7,547	8,231
South Dakota	3,108	3,371	3,847	4,965	4,755	4,995	4,956	5,868	6,580	7,455
Plains Region	3,657	3,878	4,274	5,037	5,270	5,722	6,075	6,796	7,637	8,628
United States	3,893	4,132	4,493	4,981	5,428	5,861	6,401	7,043	7,854	8,773

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

South Dakota's per capita personal income as a percentage of United States' per capita personal income remains at approximately 85 percent as has been the case in the past. Relative to the other Plains States, South Dakota remains at approximately 86 percent of these states. Of the Plains States per capita personal income in South Dakota is the lowest.

Per Capita Disposable Income

If taxes are deducted from personal income disposable income results. Disposable income is another measure of income which is commonly utilized in economic analysis. It is also another useful measure to the retailer as disposable income is essentially the amount of dollars remaining which can be spent at the discretion of the consumer. Therefore, it is these dollars which the retailer is making an effort to capture. Table IX summarizes per capita disposable personal income again for the Plains Region as well as for the United States. South Dakota has the lowest per capita disposable personal income of the Plains States.

TABLE IX
PER CAPITA DISPOSABLE PERSONAL INCOME
PLAINS REGION AND STATES
1970-1979 (Dollars)

STATE	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Iowa	3156	3370	3817	4518	4507	5077	5217	5854	6741	7810
Kansas	3224	3523	3878	4480	4719	5169	5573	6113	6862	7912
Minnesota	3268	3444	3882	4399	4550	4885	5220	5972	6586	7362
Missouri	3135	3359	3557	4033	4289	4759	5097	5685	6279	6999
Nebraska	3168	3413	3770	4449	4443	5137	5235	5658	6439	7392
North Dakota	2715	3087	3400	3547	5144	5246	4997	5179	6585	7166
South Dakota	2799	3064	3502	4527	4239	4503	4386	5287	5900	6655
Plains Region	3155	3378	3669	4379	4490	4938	5191	5802	6514	7310
United States	3331	3571	3818	4266	4626	5072	5487	6000	6673	7399

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

County Personal and Per Capita Income

The final two tables list the total personal income and per capita personal income by county. Note that this data is for the year 1978 as the 1979 data is not yet available. Shannon County and Washabaugh County have the dubious distinction of having the lowest county per capita income. The highest per capita county income is that of Minnehaha County.

TABLE X
COUNTY PERSONAL INCOME
SOUTH DAKOTA
(thousand dollars)
South Dakota Counties

	1976	1977	1978
Aurora	15,310	20,416	27,032
Beadle	106,721	121,007	134,840
Bennett	11,290	15,706	17,504
Bon Homme	38,756	45,129	49,102
Brookings	104,377	122,690	136,630
Brown	189,168	231,167	261,383
Brule	26,780	34,989	38,019
Buffalo	6,808	9,139	10,126
Butte	37,749	41,486	49,071
Cambell	8,645	12,091	14,393
Charles Mix	39,936	50,453	54,449
Clark	18,369	31,169	33,652
Clay	57,448	66,315	74,214
Codington	101,934	114,962	129,212
Corson	16,674	18,622	22,211
Custer	24,160	27,424	30,554
DeWitt	87,340	106,642	117,864
Day	28,678	45,719	51,557
Deuel	19,951	29,965	31,616
Dewey	19,442	25,153	27,291
Douglas	17,804	24,295	24,690
Edmunds	19,550	30,083	34,775
Fall River	50,399	46,777	57,317
Faulk	13,682	24,566	26,539
Grant	43,900	53,756	58,837
Gregory	27,108	37,685	39,263
Haskell	12,303	15,235	20,144
Hemlin	20,658	29,056	31,494
Hend	23,905	29,607	35,859
Hanson	13,354	16,779	19,001
Harding	6,710	8,788	11,296
Hughes	81,423	92,166	100,493
Hutchinson	46,896	54,880	59,117
Hyde	10,237	14,349	15,947
Jackson	7,199	8,623	10,575
Jerauld	12,577	14,997	16,787
Jones	6,177	9,067	10,407
King	31,374	39,770	45,866
Lake	53,397	65,427	71,253
Lawrence	92,557	101,376	112,827
Lincoln	59,591	77,713	89,067
Lyman	13,571	21,404	21,978
McCook	28,479	36,999	40,048
McPherson	16,271	23,919	26,123
Marshall	20,645	29,740	34,730
Meade	94,038	107,183	124,145
Mellette	8,730	10,566	11,082
Millet	17,819	24,160	26,553
Minnehaha	845,185	727,806	829,060
Moody	27,742	36,901	43,417
Pennington	386,296	438,540	494,255
Perkins	10,888	22,492	30,824
Pickler	19,937	23,076	26,570
Roberts	38,447	58,440	63,822
Sanborn	14,918	17,864	20,027
Shannon	20,906	26,449	25,563
Spink	41,119	63,437	70,245
Stanley	10,083	12,152	14,422
Sully	11,880	12,290	16,638
Todd	26,234	29,314	32,615
Tripp	35,755	49,004	54,077
Turner	49,555	55,663	63,253
Union	56,134	67,647	77,139
Walworth	36,874	43,655	47,357
Washabaugh	3,067	4,747	5,682
Yankton	99,829	106,640	121,305
Ziebach	6,980	8,522	10,897

Source: Bureau of Economic Analysis, U.S. Department of Commerce

TABLE I
COUNTY PER CAPITA INCOME
SOUTH DAKOTA
(dollars)
South Dakota Counties

	1976	1977	1978
Aurora	3,808	5,332	5,809
Beadle	5,323	6,174	7,041
Bennett	3,518	5,053	5,825
Ben S. Hume	6,828	5,586	6,043
Brookings	4,581	5,378	6,151
Brown	5,138	6,188	7,082
Brule	4,736	5,228	6,668
Buffalo	3,686	4,877	5,818
Butte	4,551	5,028	5,737
Cambell	3,837	4,805	6,471
Charles Mix	3,870	4,872	5,737
Clark	3,367	5,735	6,243
Clay	4,272	4,926	5,427
Codington	5,046	5,145	6,472
Corson	3,287	3,738	4,373
Custer	4,681	5,096	5,482
DeWitt	5,421	6,039	6,623
Day	3,410	5,421	6,258
Deuel	3,653	5,642	6,031
Dewey	3,273	4,228	4,458
Douglas	4,095	5,472	5,620
Edmunds	3,515	5,355	6,520
Fall River	6,296	5,221	6,313
Faulk	3,770	6,957	7,664
Grant	4,671	5,684	6,884
Gregory	4,259	6,005	6,792
Haskell	4,309	5,294	7,184
Hamlin	3,672	5,235	5,494
Hand	4,402	5,552	6,716
Hanson	3,714	4,748	5,311
Harding	3,665	4,667	6,573
Hughes	6,075	6,561	6,496
Hutchinson	4,463	5,773	6,364
Hyde	4,310	6,166	7,190
Jackson	4,519	5,427	6,782
Jerauld	4,113	4,938	5,587
Jones	3,670	5,402	6,608
Kingsbury	4,377	5,524	6,432
Lake	4,961	6,113	6,696
Lawrence	5,138	5,857	6,711
Lincoln	4,639	5,862	6,343
Lynne	3,796	5,345	5,331
McCook	4,088	5,321	5,764
McPherson	3,507	5,333	5,719
Marshall	3,611	5,324	5,985
Meade	5,108	5,660	6,146
Mellette	3,670	4,667	5,494
Miner	4,325	5,926	6,675
Minnehaha	3,391	7,111	8,040
Mundy	3,553	5,021	5,673
Pennington	5,193	6,218	6,966
Perkins	4,349	4,799	6,508
Potter	4,688	5,673	7,486
Roberts	3,280	5,139	5,697
Sandborn	4,325	5,234	6,020
Shannon	2,473	3,114	2,995
Sink	4,148	6,496	7,272
Stanley	3,764	4,550	5,589
Sully	5,240	5,502	7,141
Todd	3,701	4,100	4,503
Tripp	4,406	6,191	6,723
Turner	5,071	5,694	6,613
Union	5,223	6,148	6,768
Wallerworth	4,641	5,622	6,205
Washburn	2,005	3,192	3,608
Yankton	5,391	5,552	6,435
Ziebach	2,954	3,686	4,437

Source: Bureau of Economic Analysis, U.S. Department of Commerce

An Investment of Merit

Charles L. Roegiers and Kathryn Nordstrom

The operational definition of private enterprise is "business exists to show a profit." The methods employed to accomplish this task are both numerous and varied. However, another way of expressing this thought might be "how can I save money rather than waste it." The purpose of this article is to pass on a consideration many feel has merit.

The list of industry's major problems can be both confusing and confounding, but repeatedly mentioned is the area of breakdowns in communications, lack of communication or haphazard communication, all alluding to the same type of problem. Perhaps industry needs to consider that a communication audit would be a worthwhile investment.

Practical Application

A small midwestern University recently completed an in-house audit. A Vice President, new to the institution and territory, was experiencing the "new-to-the-job" syndrome. During his plight he was approached by a business communications professor who offered to conduct a communication audit. The target group to be reviewed was the Council of Deans, which this Vice President chaired.

About the Authors:

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It was decided that both a set of written questionnaires and an informal personal interview would be employed. The questionnaires covered a variety of topics: (1) how much Information Needed by the Deans to accomplish their jobs, versus the amount they perceived themselves receiving at present (see Table I); (2) a Communication Network Analysis, the objective of which was to see with whom and with what frequency interactions occurred and the channels used (see Table II); and lastly, (3) a forced choice Leadership Style Inventory, ranking the concepts of task, feeling and group climate (see Table III). In addition to the written instruments employed, a two-hour personal interview was conducted.*

Instrument Discussion

Obviously, each instrument adds some information to the picture the researchers were trying to portray. Table I, concerning Information Needed, indicates the amount of difference between information these managers possessed and what they felt they needed. The study found that those questioned felt ill-informed concerning how their peers and superior perceived them doing their required tasks, etc.

The Communication Network Analysis (Table II) indicates personal contacts were basically with their subordinates; i.e., office secretary, assistants, faculty, department heads, and students. They appeared to infrequently interact with their peers or the top administrators of the University. As to the channels employed in their communication efforts, the respondents indicated that they preferred to use the telephone, personal visits or memos to transact their business. There were some contacts made at meetings, but almost no socializing occurred.

The forced choice Leadership Style Inventory (Table III) indicates a significant statistical (.05) difference between the factors of task, feeling, and climate. The overall leadership styles were task oriented, followed by a concern for the individual feelings of those around them, and lastly concern with the group climate and environmental factors of the jobs. What seemed obvious from the data was that the work was put ahead of the people and the people ahead of the surroundings. There appeared to be a business-like attitude of "stay at home" and "mind the store."

Personal Interviews

The personal interviews allowed for more open-ended responses than did the standardized questionnaires. They accomplished two objectives: (1) solicited personal, attitudinal information that the questionnaires could not, and (2) gave verification and clarification for some of the items on the questionnaires.

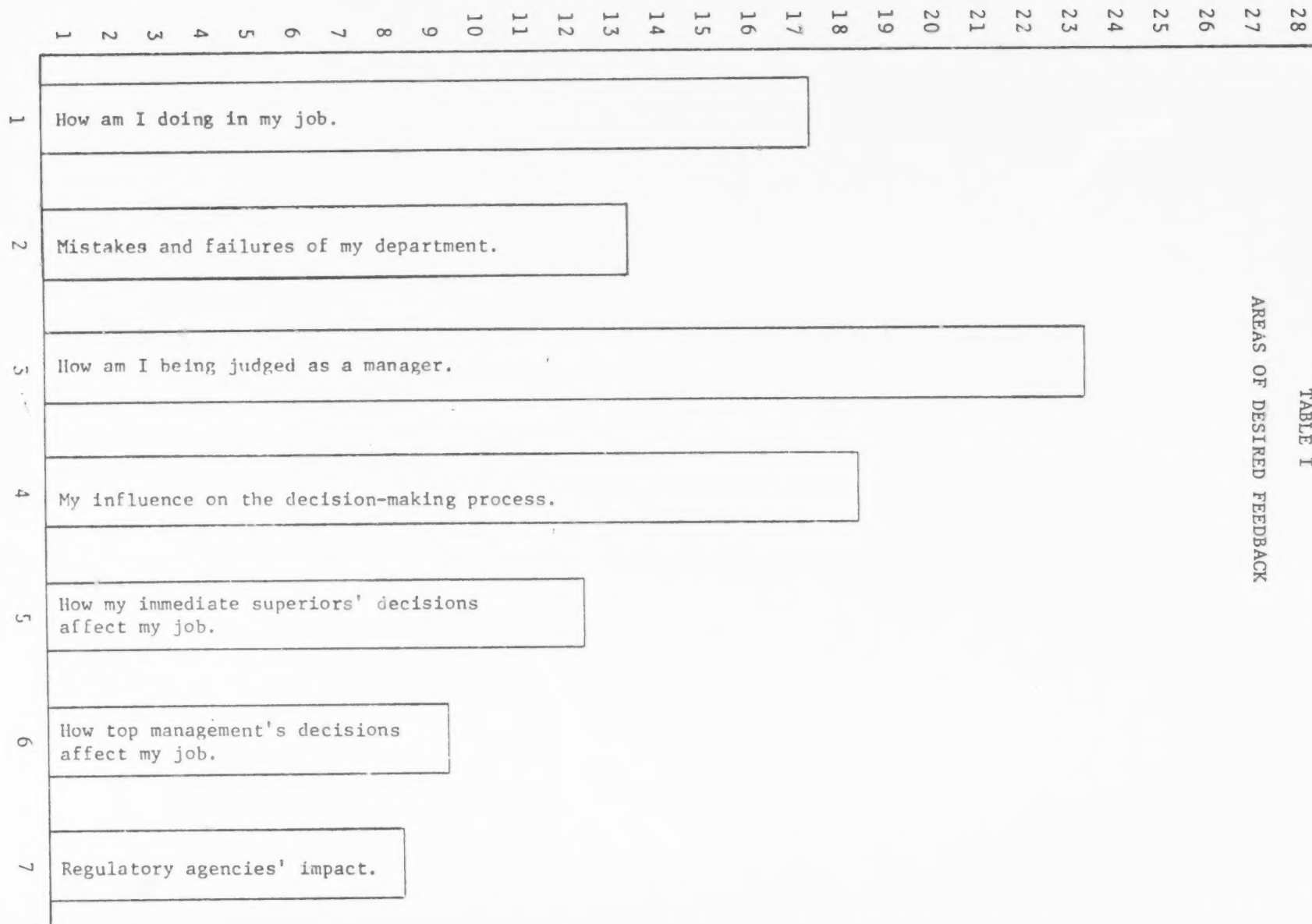
A primary, overriding concern was expressed on the part of all those interviewed to "keep us informed . . . We often feel out of touch and find this feeling very uncomfortable." They wanted to avoid being put into crisis management situations, and they wanted more attention given to the "feedback loop." When top management decisions were made, the respondents said they needed to be informed quickly, precisely, and, if possible, given the rationale for why a decision was reached.

A second powerful suggestion emerged - the Deans requested more one-on-one attention from their immediate supervisor. They desired better two-way communication and consistent updating of ongoing expectations.

*One might consider doing this investigation in conjunction with an attitudinal survey, etc. The options here vary with the needs and concerns of those in charge.

NEED FOR RECEIVING INFORMATION FROM OTHERS

TABLE I
AREAS OF DESIRED FEEDBACK



Other topics of concern surfaced, including the need for an annual working administrative retreat, critical spacial problems, paper flow within the system, and more social interaction for inter-personal enrichment.

Long-range Implications

As with any research effort, there was much learned. The participants gained insight into problem areas and heard some potential solutions from front-line colleagues. These managers were asked to think about, then later talk about, their communication efforts, and to ponder behavior changes and/or

policy changes in themselves, their programs, and in their people.

The Chief Executive Officer also benefited from this information. It added to his knowledge of his colleagues and/or subordinates and all of the territory for which he is held responsible.

Earlier it was mentioned that "businesses exist to show a profit." If time, money and people can be better utilized, this would be realized. The writers submit that a communication audit is an Investment Of Merit.

TABLE II
COMMUNICATION AUDIT NETWORK ANALYSIS
POSITION 1: OFFICE SECRETARY

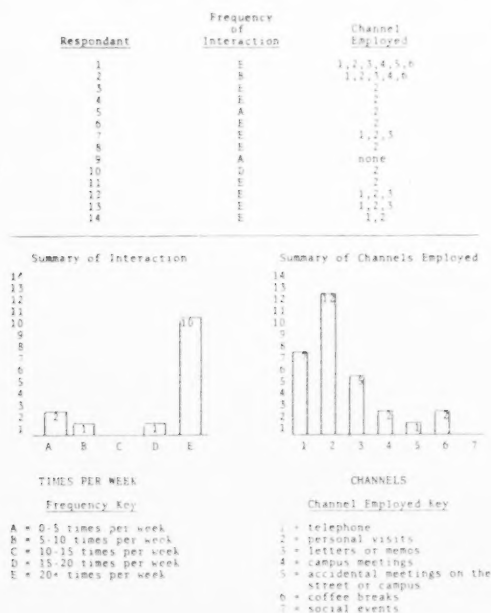
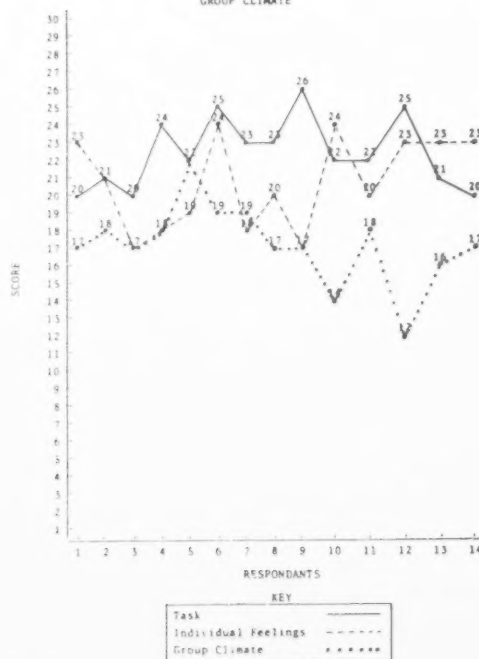


TABLE III
LEADERSHIP STYLE QUESTIONNAIRE FACTORS
TASK
INDIVIDUAL FEELINGS
GROUP CLIMATE



TREND OF BUSINESS (Continued from page 4)

employment, is available on a monthly basis. At the time of this writing the October data has not yet been received.

New Car and New Truck Registration

Both of these series again show that the first half of 1978 likely was a peak period. Early 1979 shows a decline with another peak occurring in the latter part of 1979, with sharp declines occurring in second quarter 1980.

The National Economy

This recession has been most unusual. The peak was officially dated as January 1980. Yet in the first quarter of 1980 real GNP increased at an annual rate of 1.2 percent. Following this small increase real GNP fell at a postwar record rate of 9.6 percent in the second quarter followed by an increase of 1 percent in the third quarter. The economy has certainly followed a roller coaster ride this year. The trough of the recession has not been officially dated but many feel that this probably occurred in August of 1980. If this is the case the current recession will have been one of the shortest on record.

The composite index of leading indicators has been rising since June which signals a business cycle recovery. However, near future developments in the economy may not be that rosy. In particular, the actions of the Federal Reserve system may

be laying the groundwork for more roller coaster behavior in the economy.

Beginning in October of 1979 the Federal Reserve vowed to pay more attention to the direct control of the money supply in an effort to fight inflation. As a consequence they decreased the growth rate of MIB from a 10.4 percent rate in the preceding two quarters to 5.6 percent the second quarter of 1980. This money growth slowdown contributed to the slowdown in the economy which began in early 1980. In the second quarter of 1980 the Fed tightened even further causing the money growth rate to fall at a -2.3 percent rate. This action coupled with the credit controls program undoubtedly accounts for the record drop in real GNP in the second quarter of 1980. Since the second quarter the Fed has allowed the money supply to grow at an extraordinary rate of 15 percent per year. This rapid money growth probably aborted the recession and accounted for the positive real GNP growth and reacceleration of inflation in the third quarter. Now the Fed is in the process of attempting to rein in money growth. This slowdown in money growth, if in fact it does occur, will probably lead to another slowdown in the economy in the last quarter of 1980 or early 1981. Therefore, it looks like the economy is back on the roller coaster ride.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
First Half 1979 and First Half 1980

The dollar amount reported as TOTAL GROSS
on the South Dakota Department of Revenue
state and city sales and use tax return.

				% Change					% Change				
				1st Half	1st Half	1st Half	1st Half	1st Half	1st Half	1st Half	1st Half	1st Half	1st Half
				1979	1980	1979/1980	1979/1980	1979/1980	1979/1980	1979	1980	1979/1980	1979/1980
REGION I				REGION III (Cont.)				REGION V (Cont.)					
Brookings	74,706	79,346	6.2	Brule	20,983	21,904	4.4	Dewey	10,928	11,725	7.3		
Brookings	61,041	65,622	7.5	Chamberlain	15,845	16,078	1.5	Eagle Butte	4,715	5,522	17.1		
Elkton	3,177	3,102	-2.4	Kimball	4,379	4,970	13.5	Isabel	1,904	2,099	10.2		
Volga	3,343	3,043	-9.0	Charles Mix	30,342	31,192	2.8	Timber Lake	3,441	3,123	-9.2		
Clark	11,164	10,864	-2.7	Geddes	2,120	2,302	8.6	Haakon	14,206	13,445	-5.4		
Clark	7,163	6,937	-3.1	Lake Andes	3,234	3,978	23.0	Philip	12,825	11,629	-9.3		
Codington	116,761	118,708	1.7	Platte	12,101	11,366	-6.1	Hughes	62,983	64,284	2.1		
Watertown	112,680	113,584	0.8	Wagner	11,916	12,499	4.9	Pierre	60,191	61,322	1.9		
Deuel	12,384	13,584	9.7	Davison	119,641	125,502	4.9	Blunt	2,033	1,957	-3.7		
Clear Lake	7,362	7,991	8.5	Mitchell	113,513	118,430	4.3	Hyde	9,198	9,283	0.9		
Gary	969	996	2.8	Douglas	14,987	14,421	-3.8	Highmore	9,011	9,071	0.7		
Grant	31,957	34,141	6.8	Armour	4,569	5,101	11.7	Jones	8,519	8,268	-2.9		
Big Stone City	1,080	1,526	41.2	Corsica	8,612	7,455	-13.4	Murdo	7,660	7,394	-3.5		
Milbank	26,408	27,974	5.9	Gregory	21,406	25,878	20.9	Lyman	8,246	8,673	5.2		
Hamlin	12,325	14,002	13.6	Burke	4,301	4,568	6.2	Presho	2,980	3,025	1.5		
Bryant	2,799	2,924	4.5	Gregory	11,570	12,597	8.9	Mellette	2,041	2,480	21.5		
Castlewood	1,692	1,933	14.3	Hanson	12,600	12,926	2.6	White River	1,210	1,427	17.9		
Estelline	2,700	3,269	21.1	Alexandria	8,475	8,754	3.3	Perkins	16,617	16,547	-0.4		
Hayti	2,583	2,597	0.5	Emery	2,795	2,560	-8.4	Lemmon	13,957	13,531	-3.0		
Kingsbury	26,062	27,509	5.6	Hutchinson	40,192	39,615	-1.4	Potter	20,688	20,940	1.2		
Arlington	7,005	7,988	14.0	Freeman	13,888	14,565	4.9	Gettysburg	13,946	13,247	-5.0		
DeSmet	7,385	7,837	-0.6	Menno	5,513	5,233	-5.1	Hoven	5,990	6,630	10.7		
Lake Preston	4,446	4,419	-0.6	Parkston	13,831	12,687	-8.3	Stanley	7,443	12,273	64.9		
Lake	39,565	40,322	1.9	Tripp	3,370	3,506	4.1	Ft. Pierre	7,369	12,271	66.5		
Madison	35,325	35,959	1.8	Jerauld	12,106	13,564	12.0	Sully	8,901	7,919	-11.0		
Miner	9,537	10,670	11.9	Wess. Springs	8,744	9,531	9.0	Onida	8,203	7,201	-12.2		
Howard	6,635	7,327	10.4	Sanborn	7,432	7,383	-0.7	Tripp	35,576	35,780	0.6		
Moody	21,219	23,702	11.7	Woonsocket	5,656	5,466	-3.4	Winnier	34,574	34,710	0.4		
Colman	6,721	7,835	16.6	Yankton	123,613	127,144	2.9	Todd	6,699	7,745	15.6		
Flandreau	10,768	11,679	8.5	Yankton	117,455	120,533	2.6	Mission	6,038	6,456	6.9		
TOTAL	355,680	372,847	4.8	TOTAL	436,969	455,738	4.3	Walworth	36,186	33,290	-8.0		
								Selby	7,656	7,932	3.6		
								Mobridge	24,915	22,143	-11.1		
								Ziebach	2,772	2,580	-6.9		
								Dupree	2,623	2,425	-7.6		
								TOTAL	265,745	271,844	2.3		
REGION II				REGION IV				REGION VI					
Clay	33,184	32,134	-3.2	Beadle	82,963	87,893	5.9	Bennett	9,601	9,933	3.5		
Vermillion	30,071	29,059	-3.4	Huron	76,953	80,605	4.7	Martin	9,345	9,650	3.3		
Lincoln	38,560	39,123	1.5	Brown	197,830	202,999	2.6	Butte	30,208	31,321	3.7		
Canton	17,956	19,052	6.1	Aberdeen	176,148	182,118	3.4	Belle Fourche	24,410	24,945	2.2		
Hudson	1,188	1,105	-7.0	Groton	8,316	8,625	3.7	Newell	2,817	3,466	23.1		
Lennox	5,034	5,008	-0.5	Day	28,946	29,868	3.2	Custer	13,353	13,946	4.4		
McCook	28,261	28,583	1.1	Bristol	3,192	3,740	17.2	Custer	12,008	12,434	3.5		
Bridgewater	5,598	5,687	1.6	Maubay	1,444	1,529	5.9	Fall River	19,549	20,654	5.6		
Canistota	3,040	2,783	-8.5	Webster	20,400	20,508	0.5	Edgemont	5,189	5,356	3.2		
Salem	15,614	15,531	-0.5	Edmunds	16,971	15,571	-8.2	Hot Springs	12,501	13,125	5.0		
Spencer	2,154	2,379	10.5	Bowdle	4,028	4,111	2.1	Harding	1,877	2,563	36.5		
Minnehaha	735,111	775,377	5.5	Hosmer	1,108	1,175	6.0	Buffalo	1,568	2,104	34.2		
Brandon	2,800	3,060	9.3	Ipswich	8,484	7,501	-11.6	Jackson	6,770	7,026	3.8		
Colton	4,347	5,317	22.3	Roscoe	3,260	2,691	-17.4	Kadoka	6,143	6,374	3.8		
Dell Rapids	11,678	11,461	-1.9	Faulk	9,112	8,273	-9.2	Lawrence	92,909	141,970	52.8		
Garretson	5,351	6,289	17.5	Faulkton	5,145	3,829	-25.6	Deadwood	17,069	17,917	5.0		
Hartford	4,635	4,563	-1.6	Hand	17,793	17,186	-3.4	Lead	41,345	88,886	115.0		
Sioux Falls	666,742	693,346	4.0	Miller	15,617	15,383	-1.5	Spearfish	21,182	23,755	12.1		
Turner	24,131	28,296	17.3	Marshall	18,160	18,337	1.0	Whitewood	8,594	6,225	-27.6		
Centerville	3,048	2,919	-4.2	Britton	15,238	15,125	-0.7	Meade	34,956	37,176	6.3		
Marion	7,188	9,043	25.8	McPherson	10,828	11,735	8.4	Faith	3,310	3,772	14.0		
Parker	5,707	6,978	22.3	Eureka	8,852	8,782	-0.8	Sturgis	27,183	27,786	2.2		
Viborg	3,798	4,382	15.4	Leola	1,594	2,414	51.5	Pennington	390,974	409,242	4.7		
Union	38,460	41,611	8.2	Roberts	27,018	29,128	7.8	Rapid City	364,206	380,762	4.5		
Alcester	5,418	6,191	14.3	Sisseton	12,987	14,381	10.7	Wall	7,752	8,660	11.7		
Beresford	13,118	13,548	3.3	Wilmot	3,871	4,200	8.5	Shannon	3,292	3,821	16.1		
Elk Point	6,480	5,659	-12.7	Spink	21,811	23,205	6.4	Pine Ridge	1,385	1,710	23.4		
N. Sioux City	10,439	13,543	29.7	Doland	1,626	1,805	11.0	Washabaugh	334	225	-32.8		
TOTAL	897,707	945,125	5.3	Redfield	16,284	15,297	-6.1	TOTAL	603,822	677,875	12.3		
				TOTAL	431,431	444,196	3.0	STATE TOTAL	2,991,354	3,167,625	5.9		
REGION III				REGION V									
Aurora	8,994	10,806	20.1	Buffalo	586	463	-21.0						
Plankinton	4,742	4,063	-14.3	Campbell	8,354	9,295	11.3						
Bon Homme	24,671	25,404	3.0	Herreid	3,162	3,215	1.7						
Avon	4,581	4,136	-9.7	Corson	5,801	6,852	18.1						
Scotland	5,796	6,252	7.9	McIntosh	1,259	1,232	-2.2						
Springfield	4,114	3,828	-6.9	McLaughlin	3,005	3,272	8.9						
Tyndall	7,874	8,820	12.0										
Yorba	2,259	2,328	3.0										

LOCAL BUSINESS CONDITIONS

Taxable Retail Sales In Selected Cities of South Dakota (000's of Dollars)

	Jan.-Sept. 1979	Jan.-Sept. 1980	% Change		2nd qtr. 1979	2nd qtr. 1980	% Change	1st half 1979	1st half 1980	% Change
Aberdeen				Aberdeen	44,875	45,003	0.3	82,450	85,294	3.4
Advertising Lineage Index	199.7	188.7	- 5.5	Belle Fourche	6,313	6,331	0.3	11,483	11,535	.5
Building Permits	4,367,900	1,494,400	- 65.8	Brookings	17,494	18,067	3.3	33,232	36,331	9.3
Value of Postal Receipts	1,734,001	1,952,743	+ 12.6	Chamberlain	4,049	4,097	1.2	7,156	7,595	6.1
Value of Postal Money Orders	246,928	322,486	+ 30.6	Dell Rapids	2,430	2,120	-12.8	4,246	4,010	-5.6
Telephones in Service (Sept.)	28,315	29,128	+ 2.9	Huron	20,627	19,638	- 4.8	38,317	37,921	-1.0
Brookings				Lead	4,916	5,385	9.5	8,744	9,823	12.3
Building Permits	3,065,900	1,351,280	- 55.9	Madison	8,048	8,175	1.6	14,999	15,621	4.2
Value of Postal Receipts	906,471	747,242	- 17.6	Milbank	6,665	6,701	.5	12,422	13,347	7.4
Value of Money Orders	132,797	167,409	+ 26.1	Mitchell	27,327	25,632	- 6.2	49,665	48,385	-2.6
Huron				Mobridge	5,428	5,651	4.1	9,978	10,833	8.6
Building Permits	1,552,600	844,303	- 45.6	Pierre	17,176	17,628	2.6	32,757	33,465	2.2
Value of Postal Receipts	736,811	776,511	+ 5.4	Rapid City	92,821	91,320	- 1.6	166,741	166,297	-.3
Value of Money Orders	150,006	185,959	+ 24.0	Sioux Falls	152,364	147,000	- 3.5	276,010	279,362	1.2
Telephones in Service (Sept.)	14,213	14,511	+ 2.1	Vermillion	7,481	7,802	4.3	14,553	15,625	7.4
Mitchell				Watertown	28,829	28,259	- 2.0	52,512	54,007	2.8
Building Permits	560,528	1,485,427	+165.0	Winner	7,203	6,495	- 9.8	13,484	12,960	-4.6
Value of Postal Receipts	673,889	690,268	+ 2.4	Yankton	21,828	20,737	- 5.0	38,722	39,033	.8
Value of Postal Money Orders	148,729	168,187	+ 13.1							
Telephones in Service (Sept.)	14,405	14,751	+ 2.4	TOTAL	475,874	466,041	- 2.1	867,461	881,344	1.6
Pierre										
Building Permits	2,047,900	1,596,400	- 22.0							
Value of Postal Receipts	1,266,672	1,287,011	+ 1.6							
Value of Money Orders	132,196	183,777	+ 39.0							
Telephones in Service (Sept.)	15,201	15,524	+ 2.1							
Rapid City										
Advertising Lineage Index	191.7	182.0	- 5.1							
Building Permits	8,434,105	5,209,263	- 38.2							
Value of Postal Receipts	2,551,684	2,659,303	+ 4.2							
Value of Money Orders	756,769	802,196	+ 6.0							
Telephones in Service (Sept.)	63,017	54,668	+ 2.6							
Sioux Falls										
Advertising Lineage Index	229.8	210.9	- 8.2							
Building Permits	18,290,676	19,757,701	+ 8.0							
Value of Postal Receipts	5,952,658	6,114,760	+ 2.7							
Value of Postal Money Orders	801,397	891,406	+ 11.2							
Telephones in Service (Sept.)	85,206	87,190	+ 2.3							
Watertown										
Building Permits	3,986,991	2,675,349	- 32.9							
Value of Postal Receipts	788,047	901,677	+ 14.4							
Value of Money Orders	172,581	186,257	+ 7.9							
Telephones in Service (Sept.)	16,173	16,582	+ 2.5							
Yankton										
Building Permits	1,656,200	1,769,812	+ 6.9							
Value of Postal Receipts	1,213,770	1,511,767	+ 24.6							
Value of Postal Money Orders	196,957	206,891	+ 5.0							
Telephones in Service (Sept.)	13,515	14,046	+ 3.9							

TELEPHONES IN SERVICE Selected Cities - - South Dakota September 1979 and September 1980

City	Sept. 1979	Sept. 1980	% Change 1979/80
Aberdeen	28,315	29,128	2.9
Belle Fourche	4,752	4,857	2.2
Canton	3,282	3,347	2.0
Chamberlain	2,757	2,857	3.6
Deadwood	3,258	3,318	1.8
DeSmet	1,690	1,732	2.5
Elk Point	1,793	1,833	2.2
Hot Springs	4,093	4,143	1.2
Huron	14,213	14,511	2.1
Lead	3,534	3,577	1.2
Madison	6,718	6,789	1.1
Milbank	4,898	5,037	2.8
Mitchell	14,405	14,751	2.4
Mobridge	4,222	4,291	1.6
Pierre	15,201	15,524	2.1
Rapid City	63,017	64,663	2.6
Redfield	4,282	4,373	2.1
Sioux Falls	85,206	87,190	2.3
Sturgis	6,325	6,549	3.5
Tyndall	1,312	1,317	.3
Vermillion	9,332	9,243	-1.0
Watertown	16,173	16,582	2.5
Webster	2,787	2,835	1.7
Wessington Springs	1,772	1,761	-.6
Winner	4,618	4,663	1.0
Yankton	13,515	14,046	3.9

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS January - September 1980 United States

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	% Change Jan.-Sept. 1980
All Items	233.2	236.4	239.8	242.5	244.9	247.6	247.8	249.4	251.7	7.9
Food and Beverages	237.5	238.6	241.0	242.8	244.1	245.7	248.3	252.0	254.2	7.0
Food	243.8	244.9	247.3	249.1	250.4	252.0	254.8	258.7	261.1	7.1
Alcoholic Beverage	179.3	180.4	181.7	183.9	185.4	186.4	187.2	188.7	189.6	5.7
Housing	247.3	250.5	254.5	257.9	261.7	266.7	265.1	265.8	267.7	8.2
Shelter	264.0	267.2	271.6	276.0	280.2	286.3	282.9	283.3	285.3	8.1
Rent, Residential	194.1	195.6	196.6	197.0	198.9	191.1	192.1	193.2	195.1	6.0
Home Ownership	292.5	296.3	302.0	307.7	312.9	320.4	315.4	315.4	317.6	8.6
Fuel & Other Utilities	250.6	263.8	268.0	270.5	275.9	282.2	285.5	286.8	288.2	11.4
Fuels	319.0	327.1	333.9	337.8	346.4	355.8	360.8	362.5	364.5	14.6
Fuel, Oil, Coal & Bottled Gas	514.0	539.1	553.4	556.4	556.0	558.7	560.4	561.5	561.5	9.2
Gas (Piped) & Electricity	273.0	278.8	284.0	288.0	298.2	308.8	314.3	316.1	318.4	16.6
Other Utilities & Public Services	161.5	161.3	161.9	162.3	163.1	164.9	165.9	166.5	167.1	3.5
Household Furnishings & Operation	196.9	199.0	201.3	203.0	204.2	205.5	206.2	207.2	209.2	6.2
Apparel & Hokeep	171.0	171.9	176.0	177.3	177.5	177.2	176.2	178.6	182.2	6.5
Transportation	233.5	239.6	243.7	246.8	249.0	249.7	251.0	252.7	254.7	9.1
Private Transportation	231.5	239.8	244.0	247.0	249.2	249.7	250.5	251.6	253.2	8.4
Public Transportation	226.8	229.5	232.1	235.9	239.5	242.2	250.5	261.5	271.0	19.5
Medical Care	253.9	257.9	260.2	262.0	263.4	264.7	266.6	268.4	270.6	6.6
Entertainment	195.3	197.8	200.6	202.5	204.0	205.3	206.6	208.0	209.8	7.4
Other Goods & Services	206.3	208.1	208.9	209.8	211.2	212.5	213.5	214.5	220.6	6.9

Source: U.S. Dept. of Labor, Bureau of Labor Statistics

HOURS AND EARNINGS OF PRODUCTION WORKERS
IN SELECTED GROUPS IN SOUTH DAKOTA
Sept. 1979 and Sept. 1980

	AVERAGE WEEKLY EARNINGS		AVERAGE WEEKLY HOURS		AVERAGE HOURLY EARNINGS	
	Sept. 1980	Sept. 1979	Sept. 1980	Sept. 1979	Sept. 1980	Sept. 1979
Total Private Nonagricultural	\$191.18	182.66	33.6	34.4	\$5.69	5.31
Manufacturing	276.06	254.23	40.3	42.8	6.85	5.94
Durable Goods	235.76	213.92	40.3	41.7	5.85	5.13
Lumber & Furniture	261.88	207.03	41.9	40.2	6.25	5.15
Fabricated Metals and Mach.	218.88	208.28	38.4	41.0	5.70	5.08
Non-durable Goods	308.30	293.69	40.3	43.9	7.65	6.69
Food and Kindred Products	363.24	349.27	41.8	46.2	8.69	7.56
Meat Products	451.86	436.00	43.7	50.0	10.34	8.72
Other Food Products	216.93	214.93	38.6	40.4	5.62	5.32
Paper, Printing & Publish.	218.96	202.91	34.7	37.3	6.31	5.44
Nonmanufacturing	180.50	171.79	32.7	33.1	5.52	5.19
Mining	362.46	345.68	39.7	41.3	9.13	8.37
Construction	340.75	316.59	42.7	42.1	7.98	7.52
Transportation & P.U.	299.52	298.62	38.4	40.3	7.80	7.41
Communications & P.U.	319.06	302.99	39.1	39.4	8.16	7.69
Trade	157.44	147.38	32.0	31.9	4.92	4.62
Wholesale Trade	238.62	217.54	38.3	38.3	6.15	5.68
Retail Trade	133.20	123.55	30.0	29.7	4.44	4.16
Auto Dealers & Serv. Stat.	242.56	221.65	49.3	48.5	4.92	4.57
Other Retail	118.64	107.87	27.4	26.7	4.33	4.04
Finance, Ins. & R.E.	173.27	169.45	35.8	38.6	4.84	4.39
Banking	152.43	150.90	33.5	36.1	4.55	4.18
Services	133.52	119.65	29.9	28.9	4.62	4.14

Source: South Dakota Labor Bulletin

TOTAL PERSONAL INCOME
United States, Plains Region and States
1979 and First and Second Quarters 1980
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1979				1980		% Change	% Change
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	2nd Qtr. 1979	1st Qtr. 1980
United States	1,855,675	1,899,261	1,954,591	2,013,814	2,066,636	2,088,674	9.97	+1.1
Plains States	141,297	146,046	149,417	153,999	156,814	156,597	7.2	-0.1
Iowa	24,697	25,287	25,731	26,111	26,780	26,632	5.3	-0.6
Kansas	20,562	21,675	22,184	23,069	23,273	23,261	7.3	-0.1
Minnesota	34,279	35,579	36,284	37,823	38,606	38,806	9.1	+0.3
Missouri	38,803	39,596	40,680	41,543	42,599	42,532	7.4	-0.2
Nebraska	12,968	13,603	13,941	14,159	14,377	14,288	5.0	-0.6
North Dakota	5,108	5,216	5,453	5,856	5,693	5,717	9.6	+0.4
South Dakota	4,401	5,093	5,145	5,428	5,397	5,361	5.3	-0.7

MONTHLY REPORT ON EMPLOYMENT TRENDS IN NONAGRICULTURAL
Establishments in South Dakota--Statewide
Sept. 1979 and 1980
(In 000's)

	1979		1980		% Change
	Sept. 1980	Sept. 1979	Sept. 1980	Sept. 1979	Sept. 1980
Total Nonagricultural	238.4	243.7	-2.2		
Manufacturing	24.5	27.4	-10.6		
Durable Goods	11.5	13.6	-15.4		
Lumber & Furniture	0.9	1.6	-43.8		
Fabricated Metals & Machinery	7.5	8.8	-14.8		
Other Durable Goods	3.1	3.2	-3.1		
Non-durable Goods	13.0	13.8	-5.8		
Food & Kindred Products	7.9	8.4	-6.0		
Paper, Printing & Publishing	2.4	2.3	4.3		
Other Non-durable Goods	2.7	3.1	-12.9		
Nonmanufacturing	213.9	216.3	-1.1		
Mining	2.9	2.9	0.0		
Construction	13.1	13.9	-5.9		
Transportation & Public Utilities	13.8	14.0	-1.4		
Railroads	1.2	1.5	-20.0		
Other Transportation	6.8	6.7	1.5		
Communications & Public Utilities	5.8	5.8	0.0		
Trade	66.3	68.1	-2.6		
Wholesale Trade	16.5	17.1	-3.5		
Durable Goods	7.5	8.2	-8.5		
Non-durable Goods	9.0	8.9	1.1		
Retail Trade	49.8	51.0	-2.4		
Finance, Insurance & Real Estate	11.7	11.1	5.4		
Services	50.7	50.0	1.4		
Hotels, Amuse., Pers. & Business	13.8	14.0	-1.4		
Medical and Health	20.2	18.8	7.4		
Educational, Membership & Social	13.9	14.4	-3.5		
Other	2.8	2.8	0.0		
Government	55.4	56.3	-1.6		
Federal	11.0	10.7	2.8		
State	14.6	14.8	-1.4		
State Education	6.4	6.8	-5.9		
Other	8.2	8.0	2.5		
Local	29.8	30.8	-3.2		
Local Education	16.0	17.2	-7.0		
Other Local	13.8	13.6	1.5		

Source: South Dakota Labor Bulletin

BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
VERMILION, SOUTH DAKOTA 57069

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CROP PRODUCTION SUMMARY
South Dakota
1979 and 1980
(000's Bushels)

	1979		1980		% Change
	1979	1980	1979	1980	1979
Corn for Grain	210,900	105,600	-49.9		
All Wheat	60,060	60,060	0.0		
Rye	5,300	3,390	-46.4		
Oats	99,500	67,650	-31.3		
Barley	20,000	12,325	-38.4		
Flaxseed	4,900	3,360	-31.4		
Soybeans	22,605	17,400	-23.0		
Sorghum for Grain	13,590	7,360	-45.8		
Hay, All	7,015	4,829	-39.0		

Source: South Dakota Crop & Livestock Reporter.

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD--SOUTH DAKOTA
September 1979 and September 1980

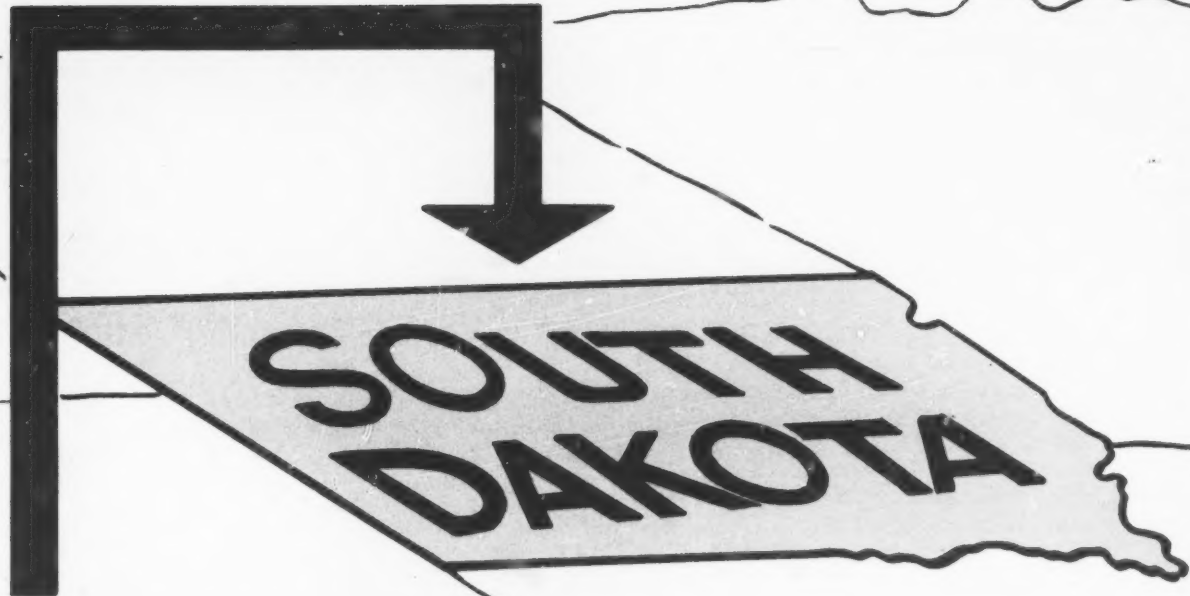
Commodity and Unit	Base Period Price 1910-1914 Average	Price 1980	Price 1979	1980	
				Price as % of Base	Percent 1980 Price Above or Below 1979
Wheat Bu.	\$.85	4.34	3.70	511	+17.3
Corn Bu.	.51	2.63	2.03	516	+29.6
Oats Bu.	.35	1.54	1.14	440	+35.1
Barley Bu.	.59	2.66	1.86	451	+43.0
Flaxseed Bu.	1.68	6.96	6.36	414	+9.4
Milk, whsl. Cwt.	1.92	12.20	11.60	670	+5.2
Eggs Doz.	.196	.361	.356	184	+1.4
Cattle Cwt.	5.24	68.80	66.60	1313	+3.3
Calves Cwt.	6.08	82.60	96.70	1359	+14.6
Hogs Cwt.	7.07	47.20	36.40	668	+29.7
Sheep Cwt.	4.24	24.60	24.00	580	+2.5
Lambs Cwt.	5.66	68.80	68.70	1216	+0.1
Wool Lb.	.178	.730	.800	410	-8.8

Source: South Dakota Crop & Livestock Reporter.

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Perspective 1980-Outlook 1981

Jerry W. Johnson and Ralph J. Brown

The closing out of 1980 was a relief for economists attempting to track the national economy. The rapidity of change created more than the usual difficulties in understanding what happened throughout 1980, not to mention what can be expected in forthcoming months. To South Dakotans, national economic events became more important than ever before. Historically South Dakota has not paralleled the cyclical movements of the national economy. In 1980 one mirrored the other.

About the Authors: Dr. Jerry Johnson is Director of the Business Research Bureau and Professor of Economics at the School of Business, University of South Dakota. Dr. Ralph Brown is Professor of Economics at the School of Business, University of South Dakota.

This article reviews the events of the past year and offers a glimpse of what might be expected in 1981. The national economy is reviewed in the first section; the South Dakota economy is reviewed in the second section.

NATIONAL ECONOMY

Recent Department of Commerce reports of real growth in gross national product for the third and fourth quarters of 1980 have been unexpectedly large: 2.4% for the third quarter, 5.0% for the fourth. Most economists forecasted that growth in the fourth quarter would be very small. Adding further to the surprise, both figures represent substantial upward revisions from preliminary estimates of 0.9% for the third quarter and 4% for the fourth quarter. These rapid rates of growth provide a stark contrast to the -9.9% rate that occurred in the second quarter (described by some commentators as a period of "free fall"). For the year 1980 as a whole, the annualized growth rate was a nearly "flat" -0.1%.

After such a roller coaster ride, it is understandable that forecasters have trouble seeing what lies ahead. Several forecasts for 1981 are presented in Table 1.

Table 1

1981 AS SEEN BY ECONOMIC FORECASTERS
Percent Change in Real GNP

	1980 4th Qtr.	1981-1	1981-2	1981-3	1981-4
Chase Econometrics Assoc.	3.9	-2.7	.8	4.4	3.4
Data Resources	2.2	.2	1.6	3.3	3.4
Georgia State University	4.5	-1.7	2.8	3.0	4.8
Kent Econ. Development Inst.	1.5	2.0	3.2	4.3	4.3
Merrill Lynch	.9	-3.0	-1.7	2.0	4.0
University of Michigan	2.2	2.5	1.7	2.9	2.6
Townsend-Greenspan	1.5	.4	2.4	4.1	4.2
UCLA	2.3	1.5	2.6	3.0	2.7
Wharton EFA	2.6	1.4	3.5	4.3	6.3
AVERAGE	2.4	.1	1.9	3.5	4.0

The Chase Econometrics Forecast is the most recent forecast of those presented. The remainder were made prior to the end of 1980. It is clear that most forecasters underpredicted fourth quarter activity. All agree on relatively slow growth in the first quarter of 1981, with recovery beginning in the second quarter and continuing through the third and fourth quarters. These projections depend upon several assumptions. Two assumptions relate to the federal budget: the cut in personal taxes will be delayed slightly and the boost in defense spending will be relatively slight in the first several months of the new administration's tenure. If these two assumptions are not fulfilled the budget deficit could be much larger than some have projected and the economy may "take off" sooner than projected. These projections also assume that the Federal Reserve will continue to promote relatively slow growth in the monetary aggregates, but without precipitating a credit squeeze. It has also been assumed that the weather will cooperate so that food prices will not rise rapidly in the coming year.

Whether most of the above assumptions are fulfilled depends upon the economic policy of the new Reagan administration. Though most agree that the economic philosophy of the Reagan administration may be amenable to long-term economic growth, most also agree that short-term fulfillment of all goals will be difficult.

Table 2 provides the percentage change from preceding periods of real gross national product and its components.

As discussed above the second quarter of 1980 stands out as a period of significant decline in growth. Review of the components suggests that fixed investment in the residential sector was the largest loser. This drop caps an 8 quarter decline in the housing industry. Personal consumption expenditures for durable goods suffered in the second quarter, undoubtedly in

Table 2
UNITED STATES
Percent Change from Preceding Period
In Real Gross National Product and Its Components
1972 Dollars
Seasonally Adjusted Annual Rates

	1979-1	1979-2	1979-3	1979-4	1980-1	1980-2	1980-3
Gross National Product	3.9	-1.7	4.1	.6	3.1	-9.9	2.4
Personal Consumption Expenditures	.9	-1.2	4.7	3.6	.8	-9.8	5.1
Durable Goods	-2.9	-13.7	7.1	-1.9	-1.6	-43.2	21.9
Nondurable Goods	-2.7	-0.6	5.6	6.8	.2	-5.3	-1.9
Services	5.5	3.0	3.1	2.8	2.0	0.0	6.4
Fixed Investment	1.8	-3.4	8.6	-4.9	-5.3	-31.8	2.0
Nonresidential	5.1	-0.2	13.3	-5.4	2.2	-19.9	-1.5
Residential	-6.9	-10.7	-3.3	-3.4	-24.3	-60.0	15.7
Exports	13.8	-1.7	34.5	9.6	31.9	-12.4	0.0
Imports	-4.1	14.8	5.2	9.0	11.9	-21.8	-20.6
Gov't Purchases of Goods & Serv.	.7	-0.4	1.1	6.1	6.9	2.5	-5.0
Federal	7.7	-7.9	-3.5	13.4	18.6	12.0	-13.0
State & Local	-3.3	3.9	4.1	2.2	0.7	-2.8	.2
Other Indices							
IMPLICIT GNP Deflator	8.4	7.8	7.8	8.1	9.3	9.8	9.2
Consumer Price Index	11.2	12.8	13.4	13.6	14.9	13.7	7.2
Wholesale Price Index	15.3	15.0	13.1	14.9	19.9	8.3	13.2
Industrial Production Index							
Manufacturing, 1967 = 100							
Capacity Utilization (Percent)	86.2	85.0	84.3	83.4	81.7	75.9	74.3
Disposable Personal Income	3.1	0.5	3.5	0.8	1.3	-4.9	4.1

Source: Chase Econometrics, Inc.

partial response to the drop in disposable personal income. Of equal interest is the dramatic turnaround which occurred in the third quarter of 1980. After several periods of decline residential investment showed a positive growth rate, as did personal consumption expenditures on durable goods. It is hoped (and expected by some economists) that the new administration's economic policy will bring about greater stability.

Consumer Sector

The level of consumption expenditures is determined by past and future expected income. Although the disposable income of American households has continued to grow, disposable income adjusted for prices has been nearly constant the past seven quarters, and little growth is expected during the next three quarters. Personal consumption expenditures in Table 2 reflect this slow growth in disposable income. Consistent with past experience, purchase of durable goods has been especially erratic (discussed above). The remaining components of personal consumption expenditures grew at a relatively slow pace.

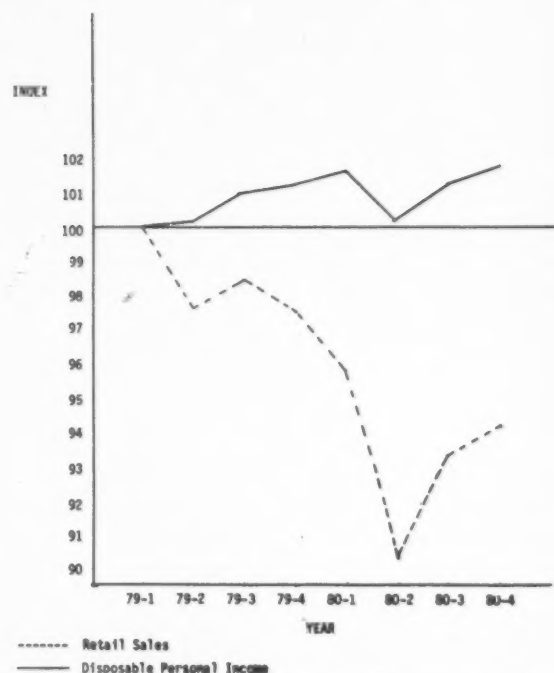
The behavior of national retail sales provides further evidence of weakness in the consumer sector. The following graph includes retail sales in constant dollars in tandem with disposable income, both indexed to the first quarter of 1979. From the first quarter of 1979 through the fourth quarter of 1980, the graph clearly shows that retail sales in constant dollars declined. Furthermore, retail sales (in nominal terms) rose less rapidly in the third and fourth quarters of 1980 than did disposable personal income.

The question is, what is happening to the dollars that are not being used for retail purchases? Review of the data reveals that the proportion of total personal income going to taxes has risen to 15.69 from 15.54 since 1979. As of January 1, an even larger portion will no longer be available for retail purchases, due to the increase in social security tax rates.

With social security and other taxes on the rise, growth in the consumer sector can be expected to be relatively slow. This problem will worsen with the already high level of consumer installment debt.

The tax cut expected under the new administration should result in increased disposable income. However, without a

INDEXED GROWTH
IN REAL DISPOSABLE INCOME
AND REAL RETAIL SALES
1979-1 TO 1980-4
(1979-1 = 100)



significant cut in federal spending, the gain from the tax cut may be lost to further inflation.

Business Sector

Spending on the part of the business sector is the second significant factor determining gross national product. Table 2 shows that the second quarter of 1980 was also a very poor quarter for fixed nonresidential investment. Furthermore, fixed nonresidential investment continued to fall (slightly) in the third quarter. Capital investment generally was very weak during all of 1980. Escalating interest rates produced sluggishness. The following graph provides the prime commercial bank rate on four-to-six-month commercial paper, indexed to the first quarter of 1979.

Interest rates grew dramatically from the latter part of 1979 through the first quarters of 1980. The prime rate finally peaked at 16.4 percent in March 1980. In the second and third quarters of 1980, rates fell dramatically. However, in the fourth quarter these rates again went up very rapidly, exceeding the very high rates of the earlier part of 1980. On January of 1981 the prime rate rose to a peak of 20.5 percent.

Two particularly significant points can be made regarding these data: 1.) Real interest rates are at a record high. This suggests that the real cost of money is higher than the expected real rate of return from borrowed funds activity. Not surprisingly, investment plans have been shelved. 2.) Many businessmen will not make investments until the wild oscillations in rates stabilize and reestablish confidence. This pessimistic outlook is supported by the latest Survey of Purchasing Agents, which shows that new orders (especially for machine tools) have dropped off dramatically. Furthermore, the government's latest survey of capital investment plans suggests only a very slight increase in spending for new plants and equipment. A hopeful sign: demographic changes may induce

(Continued on page 6)

Trend of Business

As in the past this issue of the *South Dakota Business Review* includes an article titled "Perspective 1980 - Outlook 1981". That article provides detail on the expected major economic trends both nationally and in South Dakota for 1981.

The indices for this quarter reveal a mixed bag, with part returning to the positive side and part continuing to decline. This is not unusual in a period when the economy is at a turning point in the cycle. In the third quarter of 1980, real personal income turned around and appears to be on the upswing. At the same time the farm income component of personal income continues to decline. This suggests that the remaining components of personal income turned on the positive side. Indeed, this is the case as the wage and salary component moved from a nominal annualized rate of 2.77 to 2.8 billion. Similarly the other components have increased though by relatively small increments. Total nominal personal income in South Dakota in the second quarter of 1980 dropped from \$5.39 to \$5.36 billion from the first quarter. In the third quarter of 1980 total nominal annualized personal income increased to \$5.48 billion.

As taxable retail sales typically moves in a direction similar to real personal income it also displayed a turnaround from the previous quarter. It should be noted, however, that the actual growth in taxable retail sales was extremely small.

Also on the positive side was new car registrations which in the fourth quarter of 1980 moved up. At this time it is un-

certain whether this trend will be maintained. Casting uncertainty is the movement of new truck registrations which declined in the fourth quarter. This decline in new truck registrations reflects the decline in the real farm income in the agricultural sector.

On the negative side is the continued rise in unemployment in South Dakota. This trend has continued since mid 1978 reflecting the fact that the current cycle has been with us throughout this entire period. This trend is further reflected in the construction employment index which also peaked in 1978 and has continued to decline since that time. In the construction industry similar to the national economy, high interest rates continue to play a significant role.

In summary, the indices represent conflicting trends. As noted in the article in this edition of the *Business Review*, most economists feel that the first quarter of 1981 will continue to be a sluggish quarter. Further it is anticipated that by the end of the second quarter and into the third and fourth quarter improvement should be noted. This expected improvement in the economy is premised upon the, at this time unknown, economic package of President Reagan as well as the ability of the Federal Reserve to stabilize the growth in the money supply and thus return interest rates to an acceptable level. Further it should be noted that in this recession South Dakota experienced sluggishness which has not been the case in the past and for this reason the national economic trends have become more important to South Dakota.

Management Development Seminars

Francis L. Ulschak

As we look forward in the 1980's a concept which is growing in emphasis is that of Human Resource Development (HRD). As the name implies, the focus and attention of this concept is on the people within the business organization. The value assumption is that the people resources are the most important resource a business has. Consequently, organizations need to be continually concerned with developing the people resources.

This past year the School of Business initiated a series of management development seminars. The objective: to provide supervisors and managers with additional opportunities for growth and development. Once a month, a one day seminar is held on a specific topic area. The thrust of the seminars is to provide useful information and skill building for the participants. Some of the seminar topics already held include:

Stress Management
Performance Appraisal
Labor Relations
Situational Leadership

Upcoming seminar topics and dates are:

March 13 **Fair Employment in Organizations**
This seminar will examine Equal Employment Guidelines. It will focus on what the compliance standards are and options companies have for compliance.

About the Author: Dr. Francis L. Ulschak is Associate Professor of Management at the School of Business, University of South Dakota, Vermillion, South Dakota.

March 20	Conflict Management Conflict is a fact of organizational life. This seminar will look at causes of and responses to organizational conflict.
April 24	Designing Training Programs The focus of this seminar is on the design, implementation, and evaluation of training programs.
May 15	Communications Interpersonal and organizational communications is the topic of this seminar.
June 19	Time Management With a limited number of hours in the day, time becomes an important resource. The focus of this seminar is on how to more efficiently manage it.

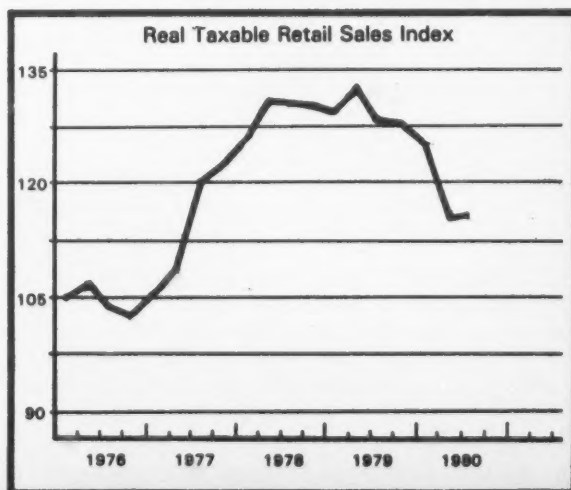
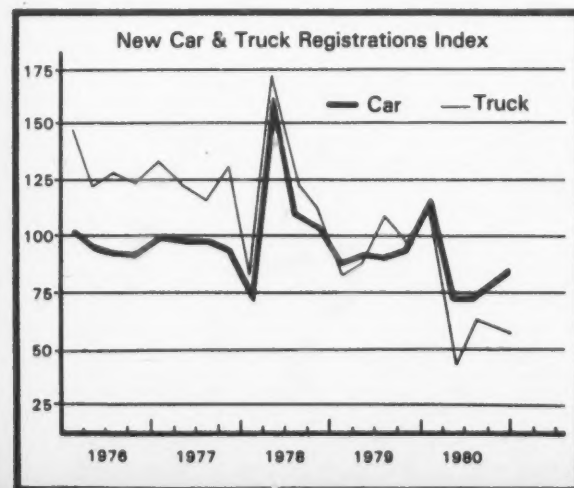
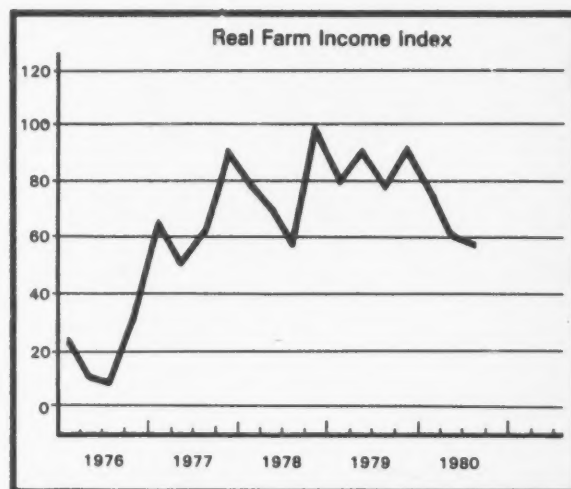
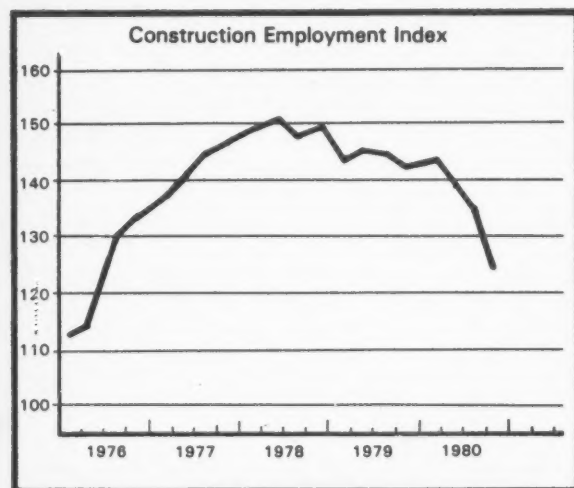
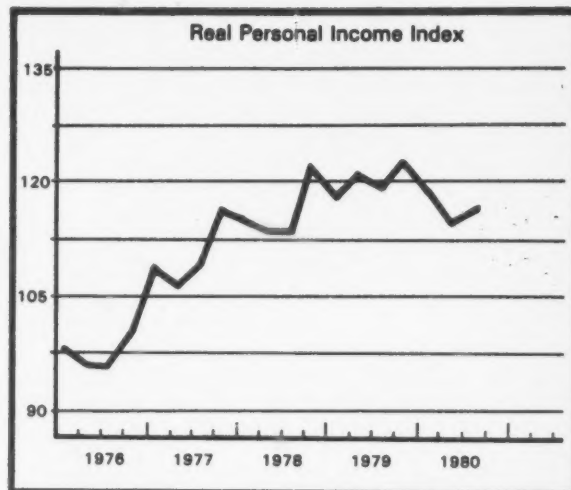
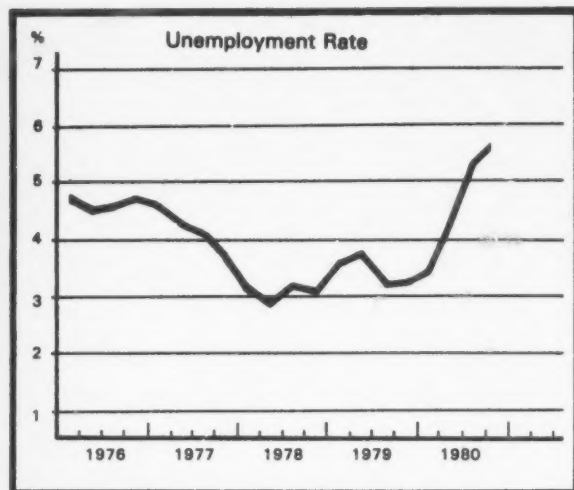
In addition, to the management seminars, we have programs in supervisory training. Again, the intent is to provide an opportunity for development and growth for those participating.

If you would like further information about programs and seminars available or you would like to be put on our mailing list, simply contact:

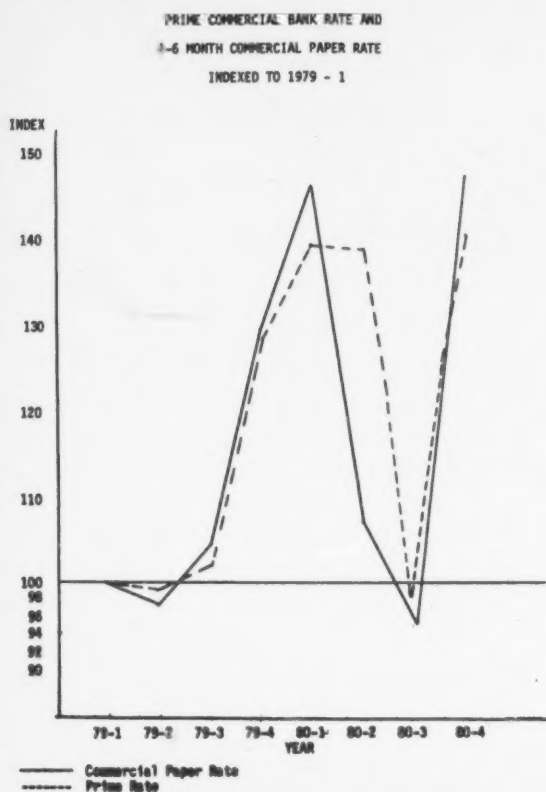
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SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1976-1980
Adjusted for Seasonal Variation



(Continued from page 3)



an increase in capital investment during the mid-to-latter part of the 1980's. During the last twenty years the labor force has experienced a dramatic influx of women and minorities. Since 1950, for example, the percentage of two income families has increased from approximately 19 percent to over 40 percent. Since this influx is not expected to continue, it will be necessary for firms to purchase capital equipment instead of labor if they wish to continue expanding output.

Government Sector

At the writing of this article President Reagan's budget has not yet been released; hence it is difficult to project his anticipated economic program. What can be expected more surely is a tax cut. The most often suggested proposals include a Kemp-Roth type tax cut. This assumes a ten percent cut the first year, though its effective date is still in doubt. Many economists question whether a tax cut of this magnitude is advisable at this time. If expenditures are not cut along with taxes, most economists claim even more inflation will occur. The expected antidote are major expenditure cuts by the Reagan administration.

The following table summarizes the receipts and expenditures of the federal sector, the state and local sector, and both sectors together.

The sizable deficit estimated for 1980 in the federal sector contrasts with a surplus in the state and local sector. This reinforces the need for a cut in federal expenditures to counter the higher inflation incurred by tax cuts. Further review suggests a likely cut would come either from the purchase of goods and services or from transfer payments made by the Federal Government. Transfer payments, of course, will grow more slowly as the economy's growth accelerates; thus fewer

Table 3
GOVERNMENT SECTOR*
Summary Receipts and Expenditures
1979-1980
(Billions)

	Federal Sector		State and Local		Total	
	1979	1980	1979	1980	1979	1980
Receipts	494.4	540.8	351.2	386.8	845.6	927.6
Personal Income Tax	231.4	259.4	70.6	82.1	302.0	341.5
Corporate Income Tax	74.6	66.7	13.0	11.7	87.6	78.4
Indirect Business Taxes	29.4	42.9	159.0	173.0	188.4	215.9
Contributions for Social Ins.	159.0	171.8	28.1	32.3	187.1	204.1
Federal Grants in Aid			80.4	87.7	80.4	87.7
Expenditures	509.2	615.0	324.4	358.2	833.6	973.2
Purchases of Goods & Serv.	167.9	194.9	305.9	338.6	473.8	533.5
Compensation	75.0	80.6	172.3	189.3	247.3	269.9
Other	92.0	114.3	133.9	149.3	225.9	263.6
Transfer Payments	209.1	265.3	35.0	39.7	244.1	305.0
Grants in Aid	80.4	87.7			80.4	87.7
Net Interest Paid	42.3	53.5	-8.8	-11.1	33.5	42.4
Subsidies-Current Surplus	9.4	13.7	-6.3	-7.5	3.1	6.2
Surplus-Deficit	-14.8	-74.2	26.7	28.6	11.9	-45.6

*Estimated

people will fall back on welfare and unemployment compensation.

The large 1980 deficits for the government sector as a whole contrasts sharply with the moderate 1979 surplus. This disparity reflects the federal sector's response to the recession. Further evidence is provided in Table 3 where it is clear that growth in state and local government expenditures was very small in proportion to growth in federal expenditures. Yet by the third quarter 1980, government purchases of goods and services declined.

Monetary Sector

Under its new policy of placing emphasis on aggregate reserves, the Federal Reserve has not yet been able to provide a stable growth rate in the money supply. During 1980 the money supply oscillated wildly, creating uncertainties and wide variations in interest rates. The following table presents the growth rates of M1A and M1B over the past year.

Table 4
GROWTH RATES OF M1A AND M1B
(Compounded Annual Rates of Change: S.A.)

Period	M1A	M1B
1980 First Quarter	4.6%	5.8%
1980 Second Quarter	-4.3	-2.4
1980 Third Quarter	12.0	15.5
1980 Fourth Quarter	6.4	11.3
1979/IV-1980/IV	5.0	7.3

As these data show, the money supply actually declined in the second quarter, then grew at extremely high rates in the third and fourth quarters. It must be emphasized that caution should be used in interpreting this data. The monetary statistics, especially M1B, were distorted somewhat by shifts of funds into new types of checkable deposits. These distortions will no doubt be exacerbated in 1981 by further shifts into interest bearing checking accounts. Nonetheless, until the Federal Reserve establishes stability in the growth of the money supply, uncertainty will shape the financial markets.

Inflation

In 1980 inflation continued at double digit rates, averaging 12.4%. This compares with a 13.3% rate for the previous year. Rises in energy and food costs strongly influenced rises in the Consumer Price Index. In December, both categories rose by 1.1%.

Most projected rates of inflation range between 10 and 10.5%. It will be difficult to maintain a rate of 10.5% unless productivity can be increased and government expenditures decreased.

THE SOUTH DAKOTA ECONOMY

Introduction

The economy was afflicted at both the national and state level in 1980. National economic problems of recession, record high interest rates, continuing high inflation, and further increases in the cost of energy aggravated South Dakota's own problems of drought, a state government fiscal crisis, and a deteriorating transportation system. On the whole, the South Dakota economy performed more poorly than the United States economy in 1980.

Personal Income

In real terms, personal income did not grow at all at the national level this past year¹, and declined some 2.8 percent at the state level. The relatively more severe decline in the South Dakota economy reflects, in part, the importance of agriculture in the state and the fact that real farm income fell by 20 percent. However, the non-farm sector of the South Dakota economy was also adversely affected by the poor agricultural year and the national recession. Real non-farm personal income at the national and state level fell by 1.5 and 2.0 percent, respectively.

Close examination of the source of this drop in non-farm personal income is revealing. In South Dakota the fastest growing industries in order of importance were finance, insurance, and real estate; mining, nondurable goods manufacturing; and services. Each of these industries grew in real terms. The industries declining most sharply were state and local government, durable goods manufacturing, Federal Government, construction, and retail trade. Each of these industries declined at least 2.5 percent in real terms. Table 5 presents personal income data calculated from each industry.

Government was the largest industry in South Dakota in 1980 in terms of personal income. It grossed \$412 million in real personal income compared with \$363 million from the farm economy. In combination, retail and wholesale trade also accounted for \$412 million of real personal income. Such clues point up the poor performance of the South Dakota economy in 1980. Both agriculture and government, the two largest state industries, declined sharply in real terms as did durable manufacturing, construction, wholesale and retail trade, and other industries normally impacted by recession.

In addition to the data provided in Table 5, information on the relative behavior of the United States and South Dakota economy over the recent business cycle are provided in Figure 1.

Figure 1 includes what are known as recession comparison charts. These charts show graphically the movements of various time series over the 1979-1980 business cycle. In each chart the comparative movement for each series at the U.S. and South Dakota level before and after the business cycle peak (first quarter of 1980)² are shown. For instance, Chart A of Figure 1 shows the behavior of the U.S. and South Dakota real personal income before and after the business cycle peak. Examination of this chart shows that both U.S. and South Dakota real personal income peaked in the fourth quarter of 1979 and declined in the first and second quarters of 1980. Both national and state real personal income rose in the third

¹Data for both the United States and South Dakota economy are based on the first three quarters of 1979 and 1980. Fourth quarter data is not available as of the time of this writing.

²The first quarter of 1980 has been designated as the reference cycle peak by the National Bureau of Economic Research.

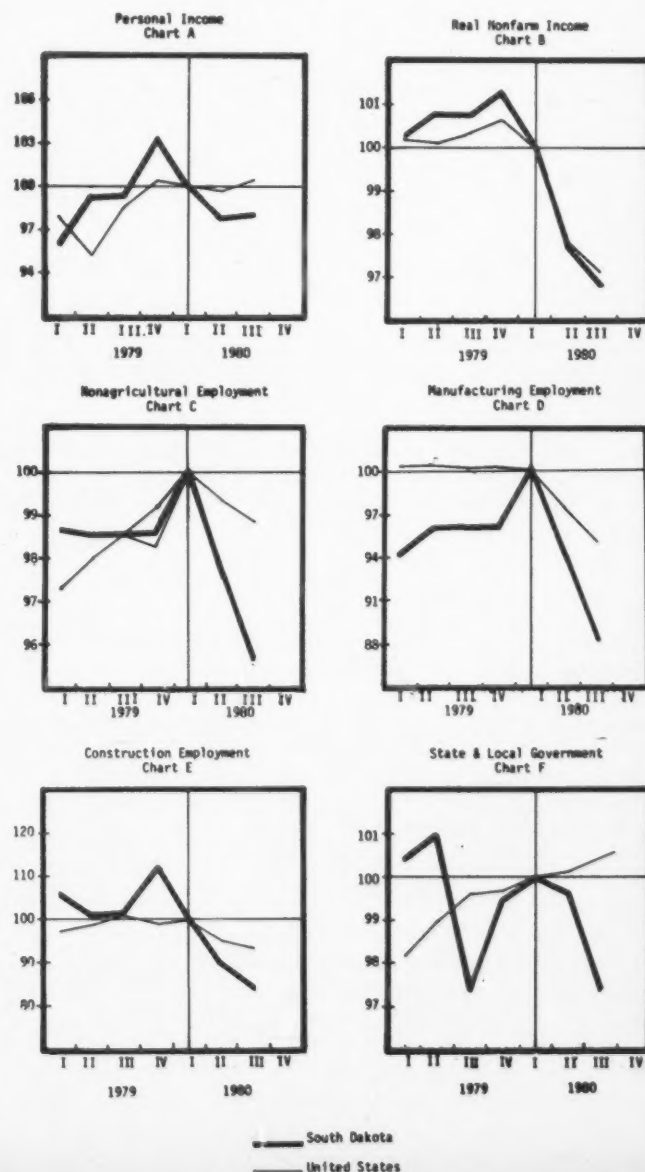
Table 5
UNITED STATES AND SOUTH DAKOTA REAL PERSONAL INCOME
BY INDUSTRY: 1979 AND 1980

	South Dakota (mil. of 1972 \$'s)			United States (bil. of 1972 \$'s)		
	1979*	1980*	% Change	1979*	1980*	% Change
Personal Income	3122.7	3034.8	- 2.8	1179.1	1178.8	- 0.03
Industry:						
Farm	454.2	363.2	-20.0	25.9	19.2	-25.9
Non-farm	1893.4	1855.4	- 2.0	884.8	871.1	- 1.5
Private:	1459.7	1443.4	- 1.1	739.2	729.8	- 1.3
Ag. Serv., Fish & Other	9.3	8.4	- 9.7	3.7	3.9	+ 5.4
Mining	37.2	37.6	+ 1.1	14.9	15.7	+ 5.4
Construction	145.6	140.1	- 3.8	55.8	52.1	- 6.6
Manufacturing	242.9	236.0	- 2.8	237.9	228.1	- 4.1
Nondurable Goods	122.7	123.9	+ 1.0	81.8	79.6	- 2.7
Durable Goods	119.6	112.7	- 5.8	156.1	148.0	- 5.2
Transportation and Public Utilities	166.0	165.4	- 0.4	70.0	69.5	- 0.7
Wholesale Trade	167.3	166.5	- 0.5	60.1	60.5	+ 0.7
Retail Trade	254.0	246.1	- 3.1	90.5	88.0	- 2.8
Finance, Insurance & Real Estate	108.4	111.0	+ 2.4	50.7	53.8	+ 2.1
Services	329.6	332.4	+ 0.8	154.3	158.6	+ 2.8
Government	434.3	412.0	- 5.1	146.2	141.3	- 3.4
Federal, civilian	112.1	108.7	- 3.0	34.7	33.6	- 3.2
Federal, military	57.6	54.9	- 4.7	13.0	12.3	- 5.4
State and local	263.9	248.3	- 5.9	98.5	95.3	- 3.2

*Based on first three quarters of 1979 and 1980.

Source: U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis.

FIGURE 1



quarter of 1980, but South Dakota's stayed well below its 1979 fourth quarter peak. In relative terms this chart suggests South Dakota was more severely affected during this recession than was the nation as a whole. Chart B of Figure 1 shows data for real non-farm personal income at both the national and state level. In this case, both the U.S. and South Dakota moved in a very similar fashion over the business cycle.

Employment

Shifting focus from real personal income toward employment behavior, South Dakota employment data reflects a trend similar to personal income data. Total non-agricultural employment was 0.8 percent lower in 1980 than in 1979. With the exception of manufacturing, federal government, and wholesale trade, employment fell wherever industries suffered real personal income decline. Table 6 presents industry employment data from 1979 and 1980.³

Table 6

SOUTH DAKOTA EMPLOYMENT: 1979 and 1980

	1979 ¹	1980 ¹	% Change
Total Nonagricultural	240.2	238.2	-0.8
Manufacturing	26.8	26.4	-1.5
Durable Goods	13.2	13.5	+2.3
Nondurable Goods	13.6	12.9	-5.1
Nonmanufacturing			
Mining	2.7	2.8	+3.7
Construction	12.4	11.1	-15.6
Transportation & Public Utilities	13.8	13.4	-2.9
Trade	66.6	65.2	-2.1
Wholesale trade	17.4	17.6	+1.1
Retail trade	49.2	47.5	-3.5
Finance, Insurance & Real Estate	10.9	11.1	+1.8
Services	47.2	50.1	+6.1
Government	58.1	58.0	-0.2
Federal	10.7	10.9	+1.9
State & Local	47.4	47.1	-0.6

¹Based on first three quarters of the year. All data seasonally adjusted.

Source: South Dakota Labor Bulletin

In order to obtain some idea of the relative movements of employment over the business cycle we have constructed recession comparison charts for key employment variables. Figure 1, Chart C presents comparisons for non-agricultural employment at the U.S. and South Dakota level. In both cases, non-agricultural employment peaked in the first quarter of 1980 and declined thereafter. It appears that the relative decline in South Dakota was sharper than that in the nation as a whole.

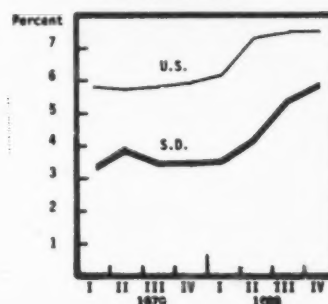
Figure 1, Chart D presents the recession comparison chart for manufacturing employment. Once again the U.S. and South Dakota trend similar courses, yet South Dakota's manufacturing employment fell more sharply than did the U.S.'s. Figure 1, Chart E presents a recession comparison chart for construction employment. The chart shows construction employment as highly volatile, but plunging sharply since 1979. In South Dakota construction employment peaked in the fourth quarter of 1979 and fell sharply each quarter since then. This report already cited that the state and local government comprised one of the weakest parts of South Dakota's economy. Figure 1, Chart F presents the recession comparison chart for state and local government employment. It demonstrates that state and local government employment at the national level climbed fairly steadily throughout the 1979-1980 period. However, this is not the case in South Dakota. State and local government employment peaked in the second quarter of 1979, increased sharply in the third quarter, and has generally turned downward since the fourth quarter of 1979.

³Once again this data is based on the first three quarters of 1979 and 1980.

Figure 2 presents the unemployment rate at the U.S. and South Dakota levels. This figure shows that unemployment in South Dakota reached its lowest level in the fourth quarter of 1979, increasing sharply since then. In the fourth quarter of 1979 the unemployment rate stood at 3.3 percent in South Dakota; by the third quarter of 1980 it was at 5.4 percent, a sharp increase. Even though unemployment at the national level is higher, its rate of increase at that level has not been as sharp. In the first quarter of 1979 the unemployment rate stood at 5.7 percent; by the third quarter, 1980, it increased to 7.6 percent.

FIGURE 2

United States and South Dakota
Unemployment Rates



Retail Sales

The retail sector of the South Dakota economy was very adversely affected in 1980. Based on data for the first three quarters of 1979 and 1980 nominal taxable retail sales declined 0.22 percent. In real terms the fall in sales was much sharper. Table 7 presents the percent change in taxable sales as compared to the change in the consumer price index for the same category of good or service. Comparing the third quarter of 1979 with the third quarter of 1980, for example, we see that in the general merchandise store group the CPI increased 12.1 percent, while only variety stores sales increased faster than inflation. In the food, transportation, apparel, household, and personal services groups prices increased faster than sales. Particularly hard hit were new and used cars, men's and boy's clothing, women's ready-to-wear, miscellaneous apparel, furniture, and all home furnishings. In the entertainment group, motion picture theaters is the only area where sales increased faster than inflation.

The South Dakota Forecast

Once again the South Dakota Forecast is based on the Business Research Bureau's South Dakota Econometric Model (SDEM). The 1980 forecast generated by the SDEM System generally did a good job of anticipating the shape of the 1980 economy in South Dakota. Our last year's prognosis showed personal income would grow 6.7 percent in nominal terms and decline 3.2 percent in real terms. Actually, the South Dakota economy grew 6.2 percent in nominal, and declined 4.3 percent in real terms.⁴ We also predicted an 8.8 percent decline in nominal farm proprietors' income while its actual decline was 17.3 percent. Our forecast was based on normal weather conditions; in 1980 South Dakota suffered drought.

Like all forecasts with econometric models, the 1981 forecast is based on a set of assumptions for key exogenous variables. The key exogenous variables in the SDEM system include national macroeconomic variables, agricultural production and prices, government farm programs, and government

⁴Fourth quarter 1980 data is based on estimates by the Business Research Bureau.

Table 7
TAXABLE SALES
SELECTED CLASSIFICATIONS
(PERCENT CHANGE LIKE QTR. PREVIOUS YEAR)

SOUTH DAKOTA	4th Qtr. 1978 to 1979	1st Qtr. 1979 to 1980	2nd Qtr. 1979 to 1980	3rd Qtr. 1979 to 1980
General Merchandise Stores:				
Change in CPI	7.70	8.30	10.50	12.10
5250 H.-Ware Stores	15.09	11.01	-6.12	-0.11
5310 Department Stores	13.50	9.13	5.16	3.76
5330 Variety Stores	12.28	8.70	4.47	13.32
5390 Miscell. Gen. Merch.	-0.63	6.85	0.85	5.59
Food:				
Change in CPI	9.80	7.30	6.90	10.60
5410 Grocery Stores	9.05	8.74	6.96	8.59
5920 Liquor Stores	9.81	2.71	7.81	5.35
Transportation:				
Change in CPI	17.70	22.70	19.90	15.20
5510 New and Used Car Dealers	3.31	-11.56	-15.58	-5.87
5540 Gasoline Service Stations	7.77	6.24	-10.26	-2.36
Apparel:				
Change in CPI	4.60	6.50	6.90	7.60
5610 Men's and Boy's Clothing	-28.25	-26.54	-37.81	-24.84
5620 Women's Ready Wear	1.28	9.63	-10.89	-5.99
5650 Family Clothing	4.24	-3.71	-4.04	1.97
5660 Shoe Stores	-1.46	8.88	-11.37	-3.27
5690 Miscellaneous Apparel	1.77	-10.62	-20.29	-16.17
Household:				
Change in CPI	5.20	5.80	6.60	6.90
5710 Furniture and Home Furn.	-4.40	2.89	-19.99	-16.77
5720 Household Appliances	-2.43	5.29	-12.10	-5.28
Personal Services:				
Change in CPI	7.50	8.50	9.10	9.00
7230 Beauty Shops	7.69	11.99	3.21	3.87
7240 Barber Shops	2.41	5.72	4.40	2.82
Entertainment:				
Change in CPI	7.40	8.00	8.60	9.50
7830 Motion Picture Theatres	19.24	24.83	-1.94	13.58
7930 Bowling	8.66	12.24	-3.18	-11.87
5810 Eating and Drinking Places	12.06	11.34	5.18	5.78
TOTAL: SOUTH DAKOTA				
Gross Sales	18.22	15.89	-1.22	1.62
Taxable Sales	7.53	7.26	-2.96	-0.22
Remittances	8.72	7.71	-3.39	2.96

Source: Dept. of Revenue reports

monetary and fiscal policies. The national macroeconomic assumptions in the SDEM system are based on macroeconomic forecasts provided by Chase Econometrics, Inc. The agricultural forecasts are based on the agricultural model of Chase Econometrics.

The Basic national macroeconomic assumptions of the SDEM system forecasts were as follows:

1. Real GNP Growth of 0.7 percent in 1981.
2. Consumer Price Index Change of 10.5 percent and Personal Consumption Deflator Change of 9.3 percent in 1981.
3. The unemployment rate will average 8.3 percent in 1981.

The key agricultural assumptions of the SDEM system forecasts were as follows:

1. Prices received by farmers for crops will increase 11.5 percent in 1981.
2. Prices received for livestock will be up 1.6 percent in 1981.
3. Farm production expenses will be up 11.4 percent in 1981.

For 1981 we forecast personal income to increase 10.6 percent in nominal terms and 1.3 percent in real terms. In other words, we feel that South Dakota should show some

Table 8
SOUTH DAKOTA PERSONAL
INCOME FORECASTS

Variable	1976	1977	1978	1979	1980*	Forecast 1981
Personal Income (Mil. Curr.\$)	3,398	4,035	4,540	5,137	5,455	6,035
Percent Change	-0.1	+18.7	+12.5	+13.1	+6.2	+10.6
Wages and Salaries	1,878	2,057	2,330	2,594	2,805	3,067
Other Labor Income	130	172	200	231	265	292
Proprietors' Income	397	744	879	1,037	924	1,116
Nonfarm	268	267	302	332	341	361
Farm	129	477	577	705	583	755
Property Income (Div. Int.+Rent)	609	669	718	816	925	951
Transfer Payments	513	549	591	662	762	872
Less: Pers. Cont.for Social Ins.	153	162	183	211	232	270
Plus: Residence Adjustment	5	5	5	7	7	8
Personal Income (Mil. '72 \$)	2,559	2,874	3,027	3,146	3,020	3,059
Percent Change	-4.9	+12.3	+5.3	+3.9	-4.0	+1.3

*Fourth quarter of 1980 based on estimates by Business Research Bureau

small real growth in 1981. This year the major reason for the projected real growth in the South Dakota economy is the forecasted improvement in farm income. The forecast's premise assumes normal weather and yields. At the present time a severe shortage of moisture in many parts of the state makes this assumption seem optimistic. A summary of historical and forecasts of personal income for 1975 through 1981 is shown in Table 8.

SUMMARY

South Dakota patterned the national economy's high interest rates, inflation, and cost of energy increases, and was further weakened economically by drought, a state government fiscal crisis, and a deteriorating transportation system. The 1980 economic toll was heavier in South Dakota than in the U.S. generally.

Real personal income showed no growth at the national level and declined 2.8 percent at the state level. Both agriculture and government, the two largest state industries, declined sharply in real terms as did durable manufacturing, construction, wholesale and retail trade, and other industries fast impacted by recession. Wherever industries suffered real personal income decline, employment fell; the exceptions were manufacturing, the federal government, and wholesale trade. Though unemployment was higher at the national level than in South Dakota, its rate of increase was sharper in South Dakota: in the first quarter of 1979 it stood at 5.7 percent; by the third quarter 1980, it was at 7.6 percent.

In the retail sector nominal taxable retail sales declined 0.22 percent in South Dakota, while in real terms the fall was even sharper. Only variety stores sales increased faster than inflation. Food, transportation, apparel, household and personal services prices increased faster than sales.

The South Dakota economy grew 6.2 percent in nominal, and declined 4.3 percent in real terms. The 1981 forecast expects personal income to increase 10.6 percent in nominal terms, 1.3 percent in real terms contingent on farm income increase.

Though most economists' prognosis for growth in the fourth quarter was small, recent Department of Commerce reports of real growth in gross national product for the third and fourth quarters of 1980 were unexpectedly large: 2.4% for the third quarter, 5.0% for the fourth. The most recently projected Chase Economics Forecast shows relatively slow growth in the first quarter of 1981, with recovery beginning in the second quarter and continuing through the third and fourth quarter. This is predicated on several assumptions: that the federal budget cut in personal taxes will be delayed, that defense spending will rise only slightly in the first several months, that the Federal Reserve will promote relatively slow growth in the monetary aggregates, and that weather conditions will not effect a rapid rise in food prices. Whether these assumptions can be fulfilled depends upon the economic policy of the new Reagan administration.

The sizeable deficit estimated for 1980 in the federal sector contrasts with a surplus in the state and local sector. This reinforces the need for a cut in federal expenditures to counter the higher inflation incurred by tax cuts. Further review suggests a likely cut would come either from the purchase of goods and services or from transfer payments made by the Federal Government.

Until the Federal Reserve establishes stability in the growth of the money supply, uncertainty will shape the financial markets.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
First Three Quarters 1979 and First Three Quarters 1980
(\$000's)

The dollar amount reported as **TOTAL GROSS**
on the South Dakota Department of Revenue
state and city sales and use tax return.

REGION I	Jan-Sept 1979	Jan-Sept 1980	% Change Jan-Sept 1979/1980	REGION III (Cont)	Jan-Sept 1979	Jan-Sept 1980	% Change Jan-Sept 1979/1980	REGION V (Cont)	Jan.-Sept. 1979	Jan.-Sept. 1980	% Change Jan.-Sept. 1979/1980
Brookings	114,457	125,162	9.4	Brule	33,439	36,279	8.5	Dewey	17,177	18,098	5.4
Brookings	93,460	103,698	11.0	Chamberlain	25,058	26,503	5.8	Eagle Butte	7,472	8,735	16.9
Elkton	4,663	4,549	- 2.4	Kimball	7,239	8,404	16.1	Isabel	3,171	3,243	2.2
Volga	5,254	4,544	-13.5	Charles Mix	47,357	48,862	3.2	Timber Lake	5,148	4,621	-10.2
Clark	18,138	18,657	2.9	Geddes	3,468	3,722	7.3	Haakon	22,693	23,505	3.6
Clark	11,559	12,243	5.9	Lake Andes	5,380	6,464	20.2	Philip	20,213	20,409	1.0
Codington	185,360	188,149	1.5	Platte	18,668	17,842	- 4.4	Hughes	100,014	102,245	2.2
Watertown	178,616	179,662	.6	Wagner	18,272	19,165	4.9	Pierre	94,715	96,398	1.8
Deuel	18,691	19,792	5.9	Davison	186,540	190,435	2.1	Blunt	4,010	4,268	6.5
Clear Lake	11,353	11,738	3.4	Mitchell	176,989	179,719	1.5	Hyde	13,875	13,895	.1
Gary	1,438	1,459	1.4	Douglas	22,559	22,585	.1	Highmore	13,574	13,563	- .1
Grant	48,718	52,434	7.6	Armour	6,942	7,676	10.6	Jones	13,929	14,425	3.6
Big Stone City	1,722	2,212	28.5	Corsica	12,830	12,118	- 5.5	Murdo	12,322	12,907	4.7
Milbank	40,296	43,738	8.5	Gregory	33,824	38,723	14.5	Lyman	13,874	14,787	6.6
Hamlin	19,944	23,436	17.5	Burke	6,683	6,940	3.8	Presho	4,988	4,964	- .5
Bryant	4,424	4,916	11.1	Gregory	18,084	18,923	4.6	Mellette	3,275	3,836	17.1
Castlewood	2,731	3,339	22.3	Hanson	18,287	19,345	5.8	White River	1,915	2,205	15.2
Estelline	4,312	5,082	17.9	Alexandria	12,231	13,160	7.6	Perkins	25,968	25,407	- 2.2
Hayti	4,318	4,092	- 1.1	Emery	4,064	3,796	- 6.6	Lemmon	21,609	20,679	- 4.3
Kingsbury	40,126	42,994	7.1	Hutchinson	61,488	59,598	- 3.1	Potter	31,340	32,366	3.3
Arlington	11,209	13,034	16.3	Freeman	21,100	21,387	1.4	Gettysburg	21,391	20,569	- 3.8
DeSmet	12,081	11,928	- 1.3	Menno	8,064	7,320	- 9.2	Hoven	8,796	9,827	11.7
Lake Preston	6,564	6,454	- 1.7	Parkston	21,782	19,973	- 8.3	Stanley	12,137	17,506	44.2
Lake	63,025	62,744	- .4	Tripp	5,217	5,309	1.8	Ft. Pierre	12,056	17,501	45.2
Madison	56,639	55,946	- 1.2	Jerauld	19,063	22,486	18.0	Sully	14,322	12,254	-14.4
Miner	15,238	17,158	12.6	Wess. Springs	13,539	15,394	13.7	Onida	13,220	11,058	-16.4
Howard	10,703	12,120	13.2	Sanborn	10,699	10,749	.5	Tripp	58,294	55,687	- 2.8
Moody	31,469	36,564	16.2	Woonsocket	8,045	7,879	- 2.1	Winnier	56,698	55,135	- 2.8
Colman	10,293	12,178	18.3	Yankton	184,434	191,142	3.6	Todd	10,580	11,815	11.7
Flandreau	15,582	17,274	10.9	Yankton	174,726	179,069	2.5	Mission	9,557	10,011	4.8
TOTAL	555,167	587,090	5.8	TOTAL	668,215	693,373	3.8	Walworth	54,977	51,506	- 6.3
								Selby	12,610	12,684	.6
REGION II				REGION IV				Mobridge	36,644	33,460	- 8.7
Clay	49,882	48,402	- 3.0	Beadle	130,629	137,318	5.1	Ziebach	3,759	4,157	10.6
Vermillion	44,991	43,777	- 2.7	Huron	121,026	125,529	3.7	Dupree	3,536	3,919	10.8
Lincoln	57,806	60,632	4.9	Brown	309,483	313,313	1.2	TOTAL	420,411	427,634	1.7
Canton	27,163	30,266	11.4	Aberdeen	276,342	281,226	1.8				
Hudson	1,818	1,599	-12.0	Groton	12,418	13,796	11.1				
Lennox	7,620	7,443	- 2.3	Day	44,666	46,194	3.4	REGION VI			
McCook	43,224	42,516	- 1.6	Bristol	4,490	5,245	16.8	Bennett	14,360	15,424	7.4
Bridgewater	8,005	8,073	.8	Waubay	2,497	2,824	13.1	Martin	13,960	15,003	7.5
Canistota	4,337	4,040	- 6.8	Webster	31,764	32,095	1.0	Butte	48,050	49,359	2.7
Salem	24,542	23,209	- 5.4	Edmunds	25,761	23,925	- 7.1	Belle Fourche	38,683	39,766	2.8
Spencer	3,714	3,972	7.0	Bowdle	6,352	6,210	- 2.2	Newell	4,426	5,144	16.2
Minnehaha	1,160,374	1,220,427	5.2	Ipsumer	1,674	1,813	8.3	Custer	23,965	25,267	5.4
Brandon	4,601	4,748	3.2	Ipsumer	12,488	11,585	- 7.2	Custer	21,693	22,712	4.7
Colton	6,457	8,290	28.4	Faulk	5,128	4,190	-18.3	Fall River	31,309	32,097	2.5
Dell Rapids	18,086	18,546	2.5	Faulkton	13,897	12,980	- 6.6	Edgemont	8,160	8,313	1.9
Garretson	7,957	9,669	21.5	Hand	7,624	5,989	-21.4	Hot Springs	20,472	20,554	.4
Hartford	6,940	7,052	1.6	Miller	27,503	26,535	- 3.5	Harding	3,048	4,127	35.4
Sioux Falls	1,053,321	1,096,566	4.1	Marshall	24,074	23,540	- 2.2	Buffalo	2,573	3,410	32.5
Turner	35,540	45,628	29.4	Britton	28,563	27,389	- 4.1	Jackson	11,946	11,910	- .3
Centerville	4,638	4,297	- 7.3	McPherson	23,340	22,408	- 4.0	Kadoka	10,522	10,330	- 1.8
Marion	10,396	14,778	35.1	Eureka	17,383	18,344	5.5	Lawrence	153,338	223,923	46.0
Parker	8,561	10,389	21.4	Leola	13,783	13,777	.0	Deadwood	28,103	29,902	6.4
Viborg	5,085	7,300	43.6	Roberts	2,972	3,814	28.4	Lead	66,456	138,424	108.3
Union	60,555	63,893	5.5	Sisseton	43,287	45,210	4.4	Spearfish	37,071	38,104	2.8
Alcester	7,963	8,970	12.7	Wilmot	20,011	22,225	11.1	Whitewood	14,020	9,279	-33.8
Beresford	20,002	20,569	2.8	Spink	6,471	7,156	10.6	Meade	56,699	58,451	3.1
Elk Point	10,691	9,121	-14.7	Doland	35,258	37,469	6.3	Faith	5,625	6,427	14.2
N. Sioux City	16,997	20,723	21.9	Redfield	2,438	2,666	9.3	Sturgis	43,322	42,924	-0.9
TOTAL	1,407,381	1,481,499	5.3	TOTAL	25,511	24,610	- 3.5	Pennington	651,468	669,291	2.7
					676,430	688,677	1.8	Rapid City	601,446	617,676	2.7
REGION III				REGION V				Wall	14,591	16,487	13.0
Aurora	13,543	15,522	14.6	Buffalo	964	546	-43.3	Shannon	5,130	5,228	1.9
Plankinton	7,121	6,214	-12.7	Campbell	13,336	14,503	8.8	Pine Ridge	2,091	1,960	-6.3
Bon Homme	36,982	37,648	1.8	Herreid	5,372	5,185	- 3.5	Washbaugh	512	363	-29.1
Avon	7,185	6,182	-14.0	Corson	9,896	10,095	2.0	TOTAL	999,823	1,095,439	9.6
Scotland	8,581	9,022	5.1	McIntosh	1,919	1,895	- 1.2	STATE TOTAL	4,727,428	4,973,713	5.2
Springfield	6,024	5,709	- 5.2	McLaughlin	4,876	4,990	2.3				
Tyndall	11,803	13,203	11.9								
Tabor	3,297	3,468	5.2								

LOCAL BUSINESS CONDITIONS

	Jan-Dec 1979	Jan-Dec 1980	% Change
Aberdeen			
Advertising Lineage Index	196.2	188.1	- 4.1
Building Permits	NA	2,305,750	NA
Value of Postal Receipts	2,411,197	2,679,676	11.1
Value of Postal Money Orders	334,023	443,686	32.8
Telephones in Service	28,566	29,119	1.9
Brookings			
Building Permits	NA	2,329,180	NA
Value of Postal Receipts	1,269,610	1,048,404	-17.4
Value of Postal Money Orders	184,502	213,819	15.9
Huron			
Building Permits	NA	1,000,500	NA
Value of Postal Receipts	1,032,797	1,060,012	2.6
Value of Postal Money Orders	202,628	232,081	14.5
Telephones in Service (Dec)	14,327	14,469	1.0
Mitchell			
Building Permits	NA	2,236,831	NA
Value of Postal Receipts	919,972	943,485	2.5
Value of Postal Money Orders	199,370	229,900	15.3
Telephones in Service	14,498	14,896	2.7
Pierre			
Building Permits	NA	2,182,600	NA
Value of Postal Receipts	1,738,353	1,628,858	- 6.3
Value of Postal Money Orders	187,237	245,199	31.0
Telephones in Service (Dec)	15,284	15,573	1.9
Rapid City			
Advertising Lineage Index	193.2	184.4	- 4.6
Building Permits	NA	6,597,311	NA
Value of Postal Receipts	3,526,668	3,662,924	3.9
Value of Postal Money Orders	1,046,656	1,036,033	- 1.0
Telephones in Service (Dec)	63,757	64,239	.8
Sioux Falls			
Advertising Lineage Index	230.4	210.5	- 8.6
Building Permits	NA	25,599,929	NA
Value of Postal Receipts	8,149,524	8,345,811	2.4
Value of Postal Money Orders	1,114,287	1,190,482	6.8
Telephones in Service	85,616	87,535	2.2
Watertown			
Building Permits	NA	3,551,864	NA
Value of Postal Receipts	1,071,978	1,310,508	22.2
Value of Postal Money Orders	235,014	252,303	7.4
Telephones in Service	16,423	16,709	1.7
Yankton			
Building Permits	NA	3,144,352	NA
Value of Postal Receipts	1,476,009	1,816,061	23.0
Value of Postal Money Orders	261,279	280,143	7.2
Telephones in Service	13,650	13,940	2.1

CROP PRODUCTION SUMMARY
South Dakota
1977, 1978 and 1979
(000's Bushels)

	1978	1979	1980
Crop			
Wheat, All	66,000	60,060	62,425
Corn, Grain	177,550	210,900	121,900
Corn, Silage (ton)	5,166	4,056	5,353
Oats	95,790	94,400	66,000
Barley	20,905	20,800	13,860
Rye	6,200	5,700	4,030
Flaxseed	2,188	3,770	3,445
Potatoes (Fall, cwt.)	1,190	1,203	1,072
Soybeans	11,895	22,605	20,020
All Hay (ton)	8,250	7,570	5,359

Source: South Dakota Crop & Livestock Reporter.

TELEPHONES IN SERVICE
Selected Cities - South Dakota
December 1979 and 1980

	Dec. 1979	Dec. 1980	% Change 1979/80
Aberdeen	28,566	29,119	2.0
Belle Fourche	4,837	4,876	.8
Canton	3,320	3,353	1.0
Chamberlain	2,803	2,912	3.9
Deadwood	3,283	3,331	1.5
De Smet	1,703	1,749	2.7
Elk Point	1,807	1,829	1.2
Hot Springs	4,031	4,155	3.1
Huron	14,327	14,469	1.0
Lead	3,595	3,598	.1
Madison	6,711	6,782	1.6
Milbank	4,900	5,057	3.2
Mitchell	14,498	14,896	2.7
Moabridge	4,248	4,313	1.5
Pierre	15,284	15,573	1.9
Rapid City	63,757	64,239	.8
Redfield	4,295	4,396	2.4
Sioux Falls	85,616	87,535	2.2
Sturgis	6,409	6,497	1.4
Tyndall	1,329	1,317	-.9
Vermillion	8,711	8,193	-5.9
Watertown	16,423	16,709	1.7
Webster	2,797	2,857	2.1
Westington Springs	1,766	1,755	-.6
Winner	4,625	4,685	1.3
Yankton	13,650	13,940	2.1

Source: Northwestern Bell, Sioux Falls, SD.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS
January - December 1980
United States

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	% Change Jan.-Dec. 1980
All Items	233.2	236.4	239.8	242.5	244.9	247.6	247.8	249.4	251.7	253.9	256.2	258.4	10.8
Food and Beverages	237.5	238.6	241.0	242.8	244.1	245.7	248.3	252.0	254.2	255.5	257.4	259.3	9.2
Food	243.8	244.9	247.3	249.1	250.4	252.0	254.8	258.7	261.1	262.4	264.5	266.4	9.3
Alcoholic Beverage	179.3	180.4	181.7	183.9	185.4	186.4	187.2	188.7	189.6	190.4	190.9	191.6	6.9
Housing	247.3	250.5	254.5	257.9	261.7	266.7	265.1	265.8	267.7	271.1	273.8	276.9	12.0
Shelter	264.0	267.2	271.6	276.0	280.2	286.3	282.9	283.3	285.3	290.4	294.7	298.5	13.1
Rent, Residential	184.1	185.6	186.6	187.0	188.9	191.1	192.1	193.2	195.1	197.1	198.3	199.6	8.4
Home Ownership	292.5	296.3	302.0	307.7	312.9	320.4	315.4	315.4	317.6	323.8	329.4	334.2	14.3
Fuel & Other Utilities	258.6	263.8	268.0	270.5	275.9	282.2	285.5	286.8	288.2	287.6	285.7	289.9	12.1
Fuels	318.0	327.1	333.9	337.8	346.4	355.8	360.8	362.5	364.5	362.8	358.7	364.7	14.7
Fuel, Oil, Coal & Bottled Gas	514.0	539.1	553.4	556.4	556.0	558.7	560.4	561.5	561.5	558.7	567.0	585.3	13.9
Gas (Piped) & Electricity	273.0	278.8	284.0	288.0	298.2	308.8	314.3	316.1	318.4	317.1	310.5	313.9	15.0
Other Utilities & Public Services	161.5	161.3	161.9	162.3	163.1	164.9	165.9	166.5	167.1	167.8	169.0	170.6	5.6
Household Furnishings & Operation	196.9	199.0	201.3	203.0	204.2	205.5	206.2	207.2	209.2	210.1	211.0	211.6	7.5
Apparel & Upkeep	171.0	171.9	176.0	177.3	177.5	177.2	176.2	178.6	182.2	183.9	184.8	183.9	7.5
Transportation	233.5	239.6	243.7	246.8	249.0	249.7	251.0	252.7	254.7	256.1	259.0	261.1	11.8
Private Transportation	233.5	239.6	244.0	247.0	249.2	249.7	250.5	251.6	253.2	254.5	257.4	259.4	11.1
Public Transportation	226.8	229.5	232.1	235.9	239.5	242.2	250.5	261.5	271.0	273.6	277.0	280.1	23.5
Medical Care	253.9	257.9	260.2	262.0	263.4	264.7	266.6	268.4	270.6	272.8	274.5	275.8	8.6
Entertainment	195.3	197.8	200.6	204.0	204.0	205.3	206.6	208.0	209.8	210.9	211.2	212.0	8.5
Other Goods & Services	206.3	208.1	208.9	209.8	211.2	212.5	213.5	214.5	220.6	221.5	222.8	224.6	8.9

Source: U.S. Department of Labor, Bureau of Labor Statistics

HOURS AND EARNINGS OF PRODUCTION WORKERS*

	AVERAGE WEEKLY EARNINGS		AVERAGE WEEKLY HOURS		AVERAGE HOURLY EARNINGS	
	Dec. 1980	Dec. 1979	Dec. 1980	Dec. 1979	Dec. 1980	Dec. 1979
	1980	1979	1980	1979	1980	1979
SOUTH DAKOTA STATEWIDE						
Manufacturing	\$299.17	\$259.62	42.8	42.7	\$6.99	\$6.08
Durable Goods	250.10	227.27	41.0	41.7	6.10	5.45
Lumber & Furniture	242.42	219.82	39.1	38.7	6.20	5.68
Fabricated Metals and Mach.	247.05	221.53	40.7	41.1	6.07	5.39
Nondurable Goods	347.88	289.07	44.6	43.6	7.80	6.63
Food and Kindred Products	429.44	343.08	47.4	46.3	9.06	7.41
Paper, Printing, & Publishing	228.41	202.91	36.9	37.3	6.19	5.44
SIOUX FALLS SMSA						
Manufacturing	441.41	348.21	48.4	47.7	9.12	7.30
Durable Goods	266.88	243.95	41.7	42.5	6.40	5.74
Nondurable Goods	475.13	374.85	49.7	49.0	9.56	7.65
RAPID CITY SMSA						
Manufacturing	230.44	209.65	34.6	35.0	6.66	5.99

*Average Hours and Earnings Data are derived from reports of payrolls and hours for production and related workers.

Source: South Dakota Labor Bulletin

TOTAL PERSONAL INCOME
United States, Plains Region and States
1979 and First, Second, and Third Quarters 1980
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1979				1980			% Change 3rd Qtr. 1980 2nd Qtr. 1980	% Change 3rd Qtr. 1980 3rd Qtr. 1979
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.		
United States	1,855,675	1,899,261	1,954,591	2,013,814	2,066,636	2,088,674	2,152,980	3.1	10.1
Plains States	141,297	146,046	149,417	153,989	156,814	156,597	161,021	2.8	7.8
Iowa	24,697	25,283	25,731	26,111	26,780	26,632	27,246	2.3	5.9
Kansas	20,562	21,675	22,184	23,069	23,273	23,261	23,879	2.7	7.6
Minnesota	34,279	35,579	36,284	37,823	38,696	38,806	39,888	2.8	9.9
Missouri	38,803	39,596	40,680	41,543	42,599	42,532	43,718	2.8	7.5
Nebraska	12,968	13,603	13,941	14,159	14,377	14,288	14,943	4.6	7.2
North Dakota	5,108	5,216	5,453	5,856	5,693	5,717	5,863	2.6	7.5
South Dakota	4,881	5,093	5,145	5,428	5,397	5,361	5,484	2.3	6.6

Source: Regional Economic Information System, Bureau of Economic Analysis.

TAXABLE RETAIL SALES
In Selected Cities of
South Dakota
(000's of Dollars)

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT*				3rd Qtr. 1980	3rd Qtr. 1979	% Change 3rd Qtr. 1980 From 3rd Qtr. 79	1st Three Qtrs. 1980	1st Three Qtrs. 1979	% Change 1st Three Qtrs. 1980/1979	
(In 000's)										
	Dec. 1980	Dec. 1979	% Change Dec. 1979 to Dec. 1980							
Total Nonagricultural	234.7	242.8	- 3.3	Aberdeen	47,918	47,292	1.3	133,211	129,742	2.7
Manufacturing	25.2	28.4	-11.3	Belle Fourche	7,144	6,585	8.5	18,679	18,068	3.4
Durable Goods	12.8	15.0	-14.7	Brookings	20,089	18,383	9.3	56,420	51,615	9.3
Lumber & Furniture	1.1	1.4	-21.4	Chamberlain	4,737	4,216	12.4	12,333	11,373	8.4
Fabricated Metals & Machinery	8.5	10.3	-17.5	Dell Rapids	2,170	2,263	- 4.1	6,180	6,509	- 5.1
Other Durable Goods	3.2	3.3	- 3.0	Huron	21,387	21,814	- 2.0	59,308	60,131	- 1.4
Nondurable Goods	12.4	13.4	- 7.5	Lead	6,536	4,749	37.6	16,359	13,493	21.2
Food & Kindred Products	7.4	8.0	- 7.5	Madison	8,392	8,424	- 0.4	24,013	23,413	2.6
Paper, Printing & Publishing	2.4	2.4	0.0	Milbank	6,321	6,682	- 5.4	19,668	19,104	3.0
Other Nondurable Goods	2.6	3.0	-13.3	Mitchell	27,272	28,007	- 2.6	75,658	77,672	- 2.6
Nonmanufacturing	209.5	214.4	- 2.3	Mobridge	5,918	5,643	4.9	16,751	15,621	7.2
Mining	2.8	2.8	0.0	Pierre	19,061	17,444	9.3	52,526	50,202	4.6
Construction	9.6	11.6	-17.2	Rapid City	106,057	105,939	.1	272,354	272,680	- .1
Transportation & Public Utilities	13.5	13.9	- 2.9	Sioux Falls	159,414	155,496	2.5	438,776	431,507	1.7
Railroads	1.1	1.2	- 8.3	Vermillion	8,420	8,185	2.9	24,045	22,738	5.7
Other Transportation	6.6	7.0	- 5.7	Watertown	30,250	29,778	1.6	84,257	82,290	2.4
Communications & Public Utilities	5.8	5.7	1.8	Winner	7,231	6,929	4.4	20,091	20,413	- 1.6
Trade	62.9	68.0	- 7.5	Yankton	21,437	21,080	1.7	60,469	59,802	1.1
Wholesale Trade	16.8	18.2	- 7.7	TOTAL	509,754	498,909	2.2	1,391,098	1,366,373	1.8
Durable Goods	7.7	8.6	-10.5							
Nondurable Goods	9.1	9.6	- 5.2							
Retail Trade	46.1	49.8	- 7.4							
Finance, Insurance & Real Estate	11.0	11.1	- 0.9							
Services	50.1	48.5	3.3							
Hotels, Amuse., Pers. & Business	11.8	12.1	- 2.5							
Medical and Health	20.7	18.9	9.5							
Educational, Membership & Social	15.0	14.8	1.4							
Other	2.6	2.7	- 3.7							
Government	59.6	58.5	1.9							
Federal	11.0	10.7	2.8							
State	16.5	16.1	2.5							
State Education	8.4	8.2	2.4							
Other	8.1	7.9	2.5							
Local	32.1	31.7	1.3							
Local Education	19.0	18.8	1.1							
Other Local	13.1	12.9	1.6							

PRICES RECEIVED BY FARMERS FOR COMMODITIES SOLD--SOUTH DAKOTA December 1979 and December 1980						
Commodity and Unit	Base Period Price 1910-1914 Average	Price Dec. 1980	Price Dec. 1979	Dec. 1980 Price as % of Base	Percent Dec. 1980 Price Above or Below Dec. 1979	
Wheat Bu.	\$.85	4.42	3.65	520		+21.1
Corn Bu.	.51	2.97	1.91	582		+55.5
Oats Bu.	.35	1.82	1.31	520		+38.9
Barley Bu.	.59	2.88	2.05	488		+40.5
Flaxseed Bu.	1.68	7.04	5.96	419		+18.1
Milk, whsl. Cwt.	1.82	13.50	12.10	742		+11.6
Eggs Doz.	.196	.490	.384	250		+27.6
Cattle Cwt.	5.24	67.50	67.50	1288		0
Calves Cwt.	6.08	80.00	94.20	1316		-15.1
Hogs Cwt.	7.07	46.30	36.40	655		+27.2
Sheep Cwt.	4.24	27.90	25.90	658		+ 7.7

*This category includes full and part-time workers on the payrolls of non-agricultural establishments for the week including the 12th of the month.

Source: South Dakota Labor Bulletin

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PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD--SOUTH DAKOTA
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Sheep Cwt.	4.24	27.90	25.90	658	+7.7
Lambs Cwt.	5.66	56.50	69.00	998	-18.1
Wool Lb.	.178	.800	.930	449	-14.0

Source: South Dakota Crop & Livestock Reporter.

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Supply Side Economics

Raymond J. Ring

Editor's Note:

Increasing media usage of the term supply side economics gives one cause to wonder whether there has been a recent breakthrough in economic thought or that something learned long ago and forgotten has suddenly become important. In this issue of the *South Dakota Business Review*, Dr. Ring addresses, "Supply Side Economics: What Is It?" In the August issue, Dr. Ring will pose the questions, "Why Is It Now Being Advocated?" and "Will It Work?"

Dr. Raymond J. Ring is Assistant Professor of Economics at the School of Business, University of South Dakota, Vermillion, South Dakota.

What is it?

The expression "supply side economics" is seen and heard frequently in business publications, newspapers and television, the halls of Congress, and even the professional publications of academic economists. It refers to a new set of economic policy prescriptions that, as the name implies, place greater emphasis on using government policy (including, in many cases, less government involvement) to directly affect the **supply** of economic output. These policies are often contrasted to past government policies of controlling the **aggregate demand** for goods and services, while (in the opinion of some) disregarding questions of whether the economy could meet the level of aggregate demand set by government policy.

Encouraging Investment

While all supply side economics has the same final goal--increase the ability of the economy to produce goods and services--there are several different (and, it is to be hoped, complementary) approaches to attaining this goal. One of the most widely heralded approaches is stimulating capital investment. If businesses can be induced to increase their purchases of capital goods (i.e., add more plant and equipment) then they will have greater productive capacity and the potential supply of economic output will be higher. This will enable the economy to meet greater future demand, whether that greater demand is for consumption, government spending, or still more capital goods (and thus still more productive capacity).

Probably the most easily understood proposals for encouraging investment are those that would reduce the tax on returns from new investment projects. According to the arguments for these proposals, any change that reduces the tax on the return from new capital investment will make those projects more profitable, and increase the likelihood of their being undertaken.

Several tax changes have been proposed to reduce the tax burden on investment income. One of the most important is the so-called "10-5-3" proposal. Under current Federal law, the time span over which capital goods are to be depreciated for income tax purposes is the "useful service life" of the equipment. In other words, equipment is supposed to be completely "depreciated out" at the same time that it is in fact "worn out." The Internal Revenue Service has set guidelines for determining the "useful service life": 40 to 60 years for buildings, 10 years for machinery, and 3 years for automobiles. Under the "10-5-3" proposal, the useful service life would be reduced, for tax purposes, to 10 years for buildings, 5 years for machinery, and 3 years for automobiles.

In the absence of any change in tax rates, allowing more rapid depreciation of investment costs does not reduce the tax paid over the life of the building or equipment. However it does change the time pattern of payment of the taxes, allowing the taxpayer to postpone the payment of much of the tax until later in the lifetime of the project. During the period when the tax is postponed, the business has the use of these funds that would otherwise have been paid out as taxes. If depreciation over the true, economic lifetime of the capital investment project is taken as the standard for comparison, then accelerated depreciation provides an interest-free loan (i.e., the amount of reduced taxes during early years of the project) to the business. Thus, allowing faster depreciation increases the net return from investment and more investment should occur.

Another tax provision that has been used to increase investment is the investment tax credit, which allows taxpayers

to reduce tax liabilities by some set percentage of the value of investments made during the tax year. Thus, investments are less costly, the effective rate of return is higher and higher levels of investment should result.

Another way to encourage investment spending is to reduce the cost of investment projects by reducing interest rates. Any entity operating at a deficit and financing that deficit by borrowing will increase the demand for credit, drive up interest rates, and "crowd out" private sector investment. One borrower that gets much attention from advocates of supply side economics is government. While the national government gets most of the attention, state and local governments also borrow heavily. Many advocates of supply side economics place great emphasis on reducing government deficits so as to eliminate "crowding out".

Some supply side advocates also favor higher interest on consumer loans and greater restrictions on availability of consumer credit because consumer borrowing can also "crowd out" private investment.

Encouraging Saving

If a larger proportion of the economy's output is to be allocated to plant and equipment, then it is necessary that a smaller proportion be consumed by individuals and governments. Reducing government purchases of goods and services will provide a partial reallocation, especially if reducing government spending reduces the government deficit (i.e., if the reduction is not accompanied by a decrease in taxes). It should be pointed out that reduction of government purchases of goods and services is what is important here; reductions in transfer payments may have other supply side effects (discussed below), but may not have great effects on demand for output of goods and services that could otherwise be devoted to capital improvements.

Besides reducing government spending, it may also be possible to reduce household consumption by increasing savings. If households are consuming less of their income, more resources are "freed up" for investment purposes. One suggested way of doing this is to increase the return that households earn from their saving, i.e., to increase interest rates and dividends. This need for higher interest rates may appear to be at cross-purposes with the need (discussed above) for lower interest rates so that firms can afford to buy more plant and equipment. However, advocates of supply side economics believe they can "have it both ways." If taxes on interest income are lowered, then it may be possible that borrowers (firms) can borrow at lower pre-tax interest rates but savers can still receive higher after-tax interest rates.

Supply side advocates suggest several tax changes that would reduce this "wedge" between interest paid by borrowers/investors and interest received by lenders/savers. One change already enacted is the exclusion of larger amounts of dividends and interest from income taxation. Prior to tax year 1981, all interest income and all but the first \$100 of dividends were taxable under the personal income tax. However, beginning with 1981 the first \$200 (\$400 for a joint return) of interest and/or dividends are excluded.

Several other changes have been proposed. One is to reduce the maximum tax rate on unearned income (i.e., income other than wages, salaries, and proprietorship income). Under current law, earned income is subject to a maximum rate of 50%, but unearned income is subject to a maximum rate of 70%. It is suggested that this change would be especially important because high income persons save more than do low income persons, and reducing the rate on these people would

induce large amounts of saving.

Some economists also argue for integration of the corporate and personal income taxes. Under current tax laws, corporate profits are taxed at the corporate income tax rate, then dividends paid out of after-tax profits are taxed again at the marginal personal income tax rate of the dividend recipient. Thus, dividends are subject to "double taxation". If the two taxes were integrated, tax rates on dividends would probably be reduced, after-tax dividends would be increased, and there would be greater incentive for stock ownership. It should also be pointed out, however, that under current law retained earnings are subject only to the corporate tax rate and that this lower rate on retained earnings probably encourages corporations to retain earnings. These retained earnings are "plowed back" into the corporation in some way, while dividends are partly consumed. Thus, the differential rates may encourage savings that would not be encouraged under tax integration.

Reduction of corporation income tax rates would also raise after-tax returns from savings. Individuals might have greater incentive to save and use their savings for purchasing corporate stock if they knew (or thought) that dividends would be higher because the corporations would have higher after-tax profits. Thus, corporations would have more funds to use for investment. Taxes on some types of investments would be reduced even further if income from capital gains were excluded from taxation to a greater extent than currently.

Encouraging Work

Another approach suggested for increasing the supply of output is increased work incentives. It is argued that reducing personal income tax rates will leave people with higher after-tax wages, giving them an incentive to work more hours and to work harder. It is also argued that current transfer programs (e.g., unemployment compensation and Social Security) leave people better off if they do not work. According to this argument, reducing the size of these programs would reduce the work disincentive, force some people to go to work, and increase production.

Reducing Government "Interference"

Advocates of supply side economics favor elimination of many, if not all, regulations related to pollution, hiring practices, paperwork, etc. The proponents of this position believe that these regulations keep businesses from acting in the most efficient way possible and that removing these constraints would raise the productivity of both labor and capital.

Taxes again enter into the government interference argument. Taxpayers (whether persons or businesses) include tax matters in their economic choices. These tax-influenced choices are often different from choices that would be made if economic efficiency were the only consideration. The heavier the tax burden, the more a taxpayer's choice will diverge from the economically efficient one. Thus, supply side proponents have yet another argument for reduced taxes: lower taxes will lower the divergence between economic efficiency and actual operation of the economy, and thus increase economic productivity.

Finally, it is argued that greater stability and confidence in government will add to the supply side effects. According to this argument, if government policy were more stable, future business conditions would be more predictable, long term investments would be less risky, and businesses would be more willing to undertake them. Therefore, many supply side economists favor a three year planned reduction in personal income tax rates, contending that individuals could make more sure decisions knowing that tax rates would be falling in each of the next three years.

Trend of Business

The signals on the national economic scene continue mixed. Following three months of declines the March index of leading indications moved up 1.4 percent from its February level. Despite forecasts of negative growth for the first quarter of 1981, the preliminary growth rate in the gross national product was reported at an annualized rate of 6.5 percent. Also, on May 7, it was reported that retail sales in April rose strongly for the second consecutive month. This strength was attributed to rising consumer confidence, increased use of installment credit, and a continued low saving rate. At the same time, however, recent weeks have witnessed renewed increases in interest rates. The current prime rate lies a full ten percentage points above the rate of inflation. A differential of this magnitude historically has suggested either that the prime rate can be expected to decline or that the financial markets are anticipating a significant increase in the rate of inflation. Declining prime rates could clearly signal the expected fourth quarter turnaround forecasted by many economists. On the other hand, continued high interest rates and renewed inflation could further stall significant improvement in the national economy.

The South Dakota economic scene is not dissimilar from

that at the national level. As with the indicators at the national level the South Dakota Business and Economic indices are continuing to reflect mixed sentiments. The most encouraging of the indicators was the decline in the level of unemployment. Likewise, on the encouraging side, has been the slow but steady return to a positive growth rate in real taxable retail sales. After four consecutive quarters of decline the fourth quarter rise was the second in a row. Real personal income also grew for the second quarter in a row though the last quarter rate of growth was very small. This was due primarily to a dismal farm component in the personal income series. Disappointingly, the construction employment index continues to decline and registered its fourth consecutive quarterly drop. Finally new car and new truck registration as well as real farm income declined.

In summary, the state's economy shows signs of strength. The greatest weakness continues to be in the agricultural sector. Vital to a renewed strength in this sector is adequacy of precipitation. A return to a more normal level of precipitation coupled with improved costs of operation conditions could assure an improved South Dakota economy going into the fourth quarter of 1981. Until then patience is going to be required.

SOUTH DAKOTA BUSINESS INDICES 1980-1981 By Quarter Seasonally Adjusted (1972 = 100)

	1980			
	1st	2nd	3rd	4th
Personal Income	110.6	108.4	109.4	109.5
Farm Income	33.0	22.5	16.8	15.8
Tax. Retail Sales	125.5	116.0	117.1	119.3

	1980			1981
	2nd	3rd	4th	1st
Unemploy. Rate	4.2	5.3	5.7	4.9
Const. Employ.	139.5	135.7	124.5	114.4
New Cars	73.0	71.7	80.0	67.0
New Trucks	41.7	66.2	58.9	53.4

Status of South Dakota Rail System

by

Lloyd D. Wullweber

It is important to look back at the history of the development of South Dakota and its transportation needs in order to fully understand the reasons for events leading up to the collapse of the rail system. It is also worth documenting the actions initiated by the State to help preserve a rail network.

Historical Perspective

The federal government's land grant program to railroads started in 1850. The primary purpose of the grants, limited to a few trial-blazing railroads, was not to help those railroads, but to open up a vast new area, mostly west of the Mississippi River, for settlement and development. More than 92% of the railroad mileage in the United States was built entirely by private enterprise, without the benefit of federal land grants. That was true in South Dakota also as only about 35 miles of the total 4,420 miles built was by a land grant, that being

from the Minnesota border to Watertown. Land grants were similar to the Homestead Act provisions which provided millions of acres of South Dakota land to early settlers. But the land grants did serve their purpose very well. They brought the rail and settlers closer to South Dakota and were responsible for the construction of the first transcontinental rail line, thus connecting East with West.

The building of railroads in South Dakota came late in the history of the nation's rail system. The first rail lines in South Dakota opened in 1872 with the wave of early settlers. This occurred 3 years after the first transcontinental rail line in the United States was completed. The years 1880-1890 were the boom period of railroad construction in South Dakota. Lines advanced westward rapidly, but were forced to halt at the Missouri River. Federal law prohibited railroads from penetrating the vast Indian Reservations of Western South Dakota until 1906.

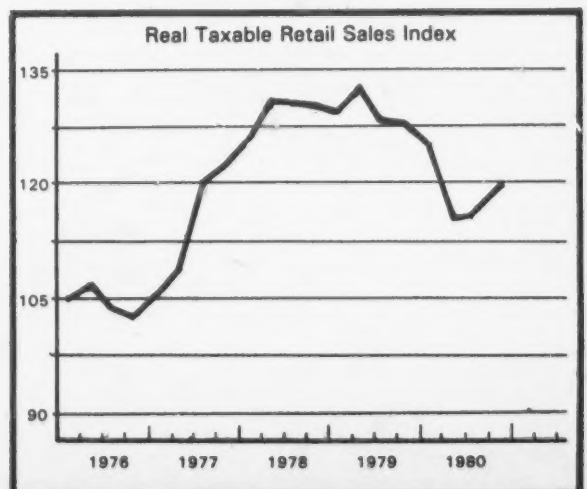
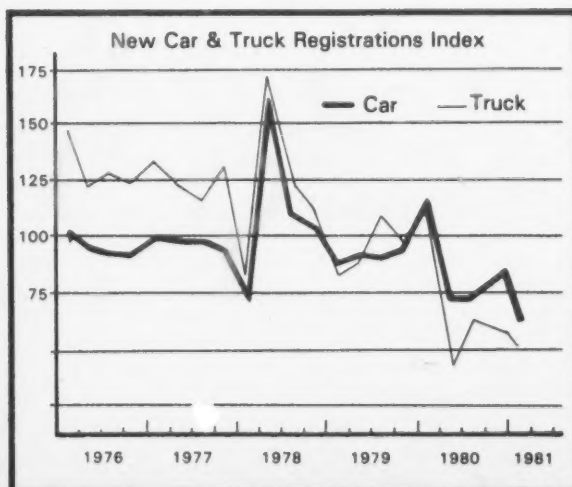
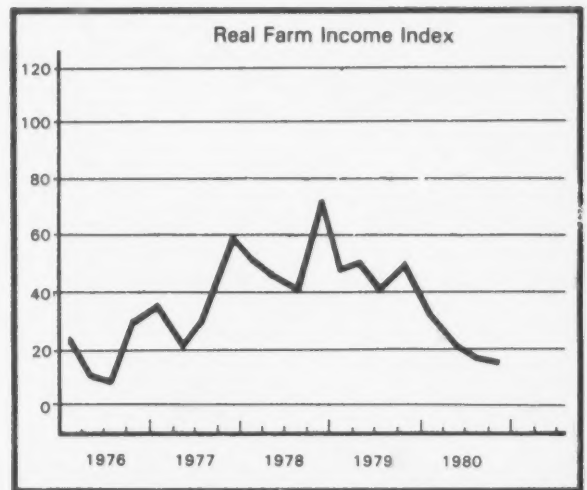
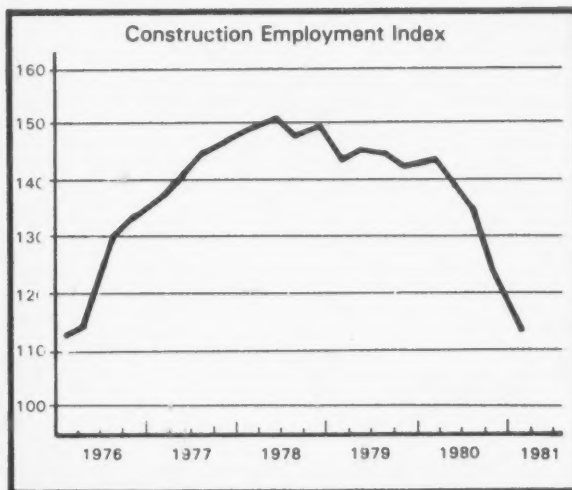
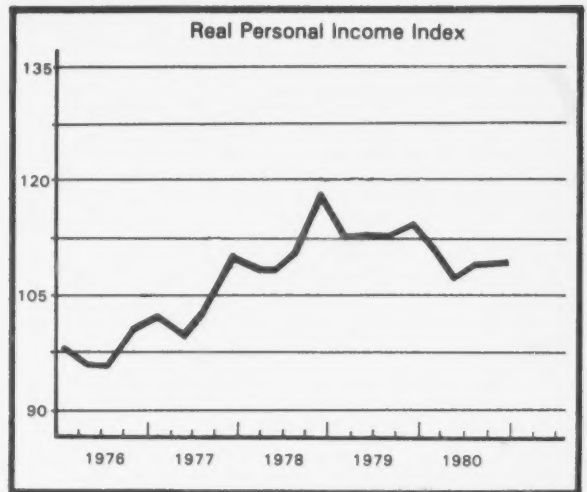
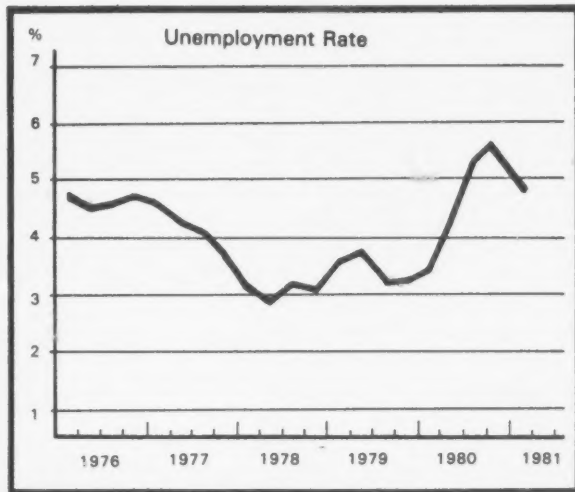
While this westward race stopped temporarily in South

(Continued on page 6)

About the author: Mr. Lloyd Wullweber is a Transportation Planner, Division of Railroads, Department of Transportation, State of South Dakota.

SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1976-1981
Adjusted for Seasonal Variation



Status of South Dakota Rail System (Continued from page 4)

Dakota, transcontinental lines were built through the States of Nebraska and North Dakota. This proved to be unfortunate as most of the lines in South Dakota turned out to be low density branch lines. The Milwaukee Road finally crossed the Missouri River at Mobridge and built its transcontinental route, but many years after others had reached the western country and established their markets. The Milwaukee Road's transcontinental line was opened in 1910, however, the Panama Canal was completed four years later. As a result, traffic patterns shifted and the Canal was used instead of the railroads for the movements to and from eastern areas of the United States.

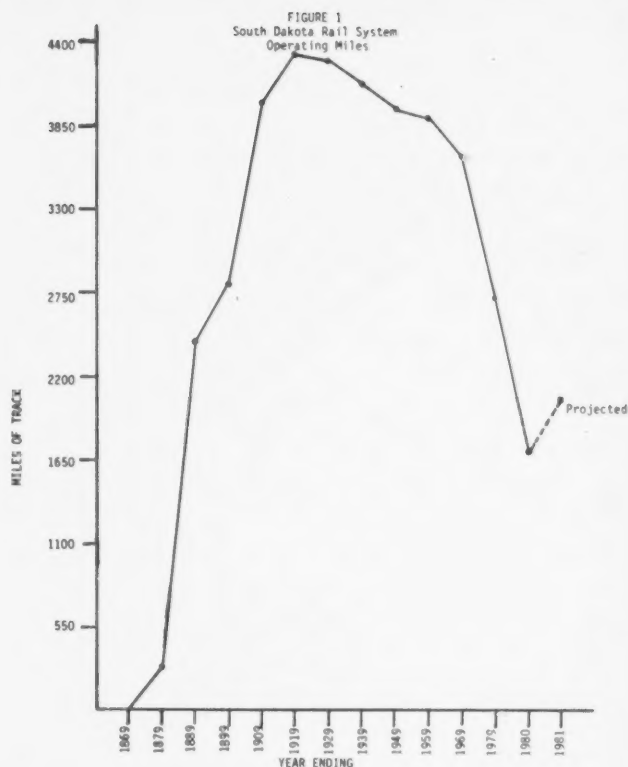
The early day railroad companies were engaged in a race to be the first to enter a territory, establish markets, locate and help build towns and industries. Today, looking back, it appears as a "mad" plan to invade an unsettled or sparsely settled area of the country. However, the plan was not all that illfounded as long as the railroads were not competing in the same immediate market. The eastern half of South Dakota was generally crisscrossed with the rail lines of several companies. This grid system provided the farmers with rail access located at a maximum distance of about 10 miles. The farmer could travel this distance and return home the same day in his horse and wagon. Later as the highway network was established and the motorized vehicle became more common, this 10-mile-distance factor became less important. Less rail was needed to adequately serve the farmer because after his truck was loaded the added expense of a few additional miles proved to be fairly insignificant.

South Dakota's largely agricultural economy was such that it could not support a large number of cities which were regional in size, scope and service. Cities of this type tended to be established at 50-100 mile distances. These trade centers required more transportation services than the smaller hamlets that dotted the countryside. Therefore, as railroad operating expenses increased and traffic remained stable or declined, the rails tended to draw back to the regional centers, away from the small hamlets. This process has been taking place for many years, small segments at a time. The process would have been even faster, no doubt, without the stronghold of the Interstate Commerce Commission in its regulatory rule. This was happening at a time when the vast highway network was being laid out and improved.

Most of the railroad construction in South Dakota was completed by 1911. There were a total of 4,420 miles of railroad built, the last being completed in 1948. Figure 1 shows the number of operating miles of track in South Dakota from 1870 to the present. As of January 1, 1981, the operating mileage had decreased to 1,691 miles of track, less than 40% of the total all time high. Although rail abandonments date back to 1909, the major thrust in South Dakota has been since 1976. The period between January 1, 1976 and January 1, 1981 saw 1,747 miles approved for abandonment by the Interstate Commerce Commission. Many of these miles were the result of the Milwaukee Road restructuring process.

Abandonment and Bankruptcy

The reasons for abandonment are many and varied. Over the past 100 years many of our transportation needs have changed along with changes in mode utilization. Perhaps justifiably so, because each mode of transportation has its advantages and disadvantages for the movement of certain



goods depending upon distance, tonnage, size, versatility, perishability and other factors.

The American people were shocked in the early 1970's at the collapse and bankruptcy of one of the nation's largest and possibly its most famous railroad--the Penn Central. The large public outcry following this calamity resulted in the federal government coming to the rescue with financing that kept the system virtually intact, with little change in size or operations. Today, this system, called Conrail, is costing U.S. citizens millions of dollars yearly. However, recently there has been action to decrease the size of the plant and eliminate the subsidy for this system.

In 1975, the Rock Island filed for bankruptcy. However, the entire system continued to operate as before with operating losses accumulating. Rock Island managers tried to identify parts of the system that could be made profitable through reorganization, but a labor strike halted operations and operating cash ran out before a new balanced system could be established. Subsequently, they were ordered to liquidate their system and assets, which they are currently in the process of doing.

During the 1970's, South Dakota thought that it had an abandonment problem, whereas, in reality it had a branch line problem--too many miles of track for the traffic base that existed. The railroads made economic decisions 40 years ago that many lines in South Dakota and other states were not returning revenues that justified intensive capital expenditures. The decision was made to defer capital expenditures, reduce maintenance on these lines, and provide service under deteriorating conditions at slower speeds. They would choose to abandon the line as operations became impossible or after the traffic base completely eroded away.

The Chicago and North Western Railroad recognized the loss on low density branch lines and the economic drain of much needed capital. They conducted a systemwide study

and made their intentions quite clear several years ago that the branch lines in this State were going to go. They have had an active abandonment program in South Dakota and have eliminated nearly all of these lines from their system. Other granger railroads in the Midwest have tried to maintain their antiquated systems and have found themselves in bankruptcy court. The Chicago and North Western has managed to hang on and has survived to date. They are not a healthy railroad, but are striving to survive where others have failed.

The Chicago, Milwaukee, St. Paul and Pacific Railroad Company filed for bankruptcy twice before the 1970's, once in the '20's, and again in the '30's, but each time kept its head above water through upsurges in the nation's economy. Therefore, for the most part, they continued operations as before, not addressing nor solving those problems that caused their economic woes. They again filed a bankruptcy petition on December 19, 1977. This time, however, they quickly set about to identify that which was wrong with their system. They determined that their long transcontinental line was a major contributor to their losses as were also many low volume branch lines. They trimmed their approximate 10,000 mile system down to about 3,500 miles and immediately placed an embargo on the unwanted lines. They then submitted a reorganization plan to the courts for this smaller system. The plan was rejected by the Court and a revised plan is expected by May 15, 1981.

The embargo of Milwaukee Road lines affected nearly 1,000 miles of track in South Dakota. These lines were viewed as local in nature and not really a part of the nation's rail network. They attracted very little national attention although the nation was watching the reorganization process very closely. No Class I rail carriers came forth with an offer to purchase the unwanted lines. The State of South Dakota was, at this point, forced to confront the situation head-on and solve its own transportation problems for the benefit of its citizens.

A Concerned State

The State, after careful and detailed analysis, identified a series of former Milwaukee Road rail lines that made up a skeletal core network which connected with major rail carriers at strategic locations. South Dakota, in the same spirit as in the 1920's, when it built the Cement Plant at Rapid City during periods of commercial cement shortages, surged ahead to solve its own transportation problems with its own resources. South Dakota's railroads were important in the past. They are essential today, and there is every indication that they will be even more important in the years to come. South Dakota and its railroads grew up together.

Because of ever occurring abandonments, car shortages, poor service, light density rail lines and a host of other rail-related problems, the Governor of South Dakota appointed a Railroad Policy Task Force in 1973. This Task Force was instrumental in identifying many of the problems, promoted rail-related planning and initiated the formation of the State Division of Railroads. The Division was formed on July 1, 1975 and was designated by the Governor as the State agency responsible for rail planning and the administration of federal funds for projects.

Project monies were made available to the State through the Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act) and the Local Rail Service Assistance Act of 1978 (LRSA). A list of the organizational structure, policy, goals and objectives, the planning process, rail system descrip-

tions, rail line studies and project implementation are documented in South Dakota's two rail plans entitled RAILPLAN, SOUTH DAKOTA, 1978 and RAILPLAN, SOUTH DAKOTA, 1980.

The initial posture of the task force was to oppose all abandonments. This proved to be a short-term time delaying tactic, and sooner or later the lines were abandoned without any concessions or solutions to the problem at hand. The overall problem of rail operations and abandonments was not fully understood at this point. It took a long time of studying, planning and understanding to address the transportation problems and needs of the State. The 1980-1981 decision to purchase and operate some rail lines in South Dakota did not come quickly or easily, but was founded upon several years of hard work.

The Core System

Late in 1979 there were 1,254 miles of rail lines identified that would not survive the year 1980. Most of this mileage was the result of Milwaukee Road restructuring. However, other carriers in the State were also trimming their systems. This loss would leave large areas of the State without rail service. The area most directly affected was also the area of greatest agricultural production--the Southeastern area of the State. Abandonments to this point had not left shippers too far from an alternative rail line. However, the extensive abandonments proposed for 1980 were too great and the project economic losses far too large to allow abandonments to continue. The State analyzed rail lines in detail both individually and collectively. It was known and understood at the onset that all lines could not be saved nor should be saved. After great study, 427 miles of the 1,254 miles were identified as essential for continued operation. This rail network, known as the State "core" was the least amount that should be operated. The remaining lines were categorized into two groups of local option lines. The first group were lines that had a chance to survive at some time in the future due to the existing or potential traffic base. The second group were lines that could not or should not exist in the future. They had to be eliminated to spread the traffic base over fewer miles.

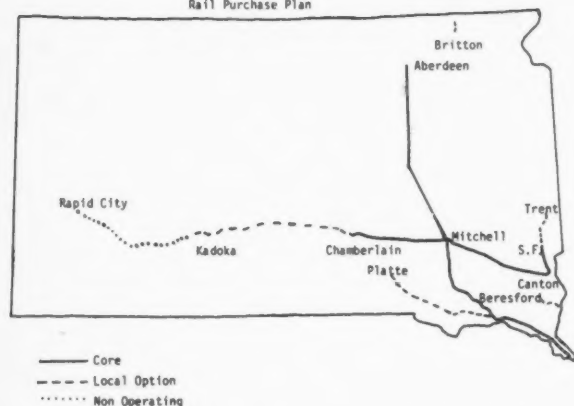
Buying a Railroad

A request was made of the 1980 State Legislature for authority to purchase and operate specified rail lines. The State did not propose to operate the lines themselves, but to contract out this task. The 1980 Legislature showed interest in maintaining a rail system in the State by providing for the purchase of designated rail lines, but denied the authority to contract for operations. The purchase was funded by a 1% sales tax on all items presently taxed, with the exception of food. The maximum amount authorized for rail purchases was \$25 million.

Nearly 760 miles of Milwaukee Road trackage was subsequently purchased for \$18.75 million. Final payment is to be made and possession taken of the property in the Spring of 1981. A lease with an option to purchase an additional 94 miles of track was also agreed to by the State and the Milwaukee Road. The purchased track consists of 426 miles of core system, 236 miles of local option lines and 94 miles of track as a non-operating purchase. The lease-option lines are located mostly in the State of Iowa and provide strategic connections.

As shown in Figure 2, the State core system is strategically located in the eastern half of the State, is the only north-south rail line in this area, and has connections with Class I railroads

FIGURE 2
South Dakota
Rail Purchase Plan



at Aberdeen, Wolsey, Sioux Falls and Sioux City. The core consists of lines extending from Aberdeen south through Mitchell and on to Sioux City, Iowa and from Sioux Falls to Chamberlain via Canton. The entire system, with the exception of the Mitchell to Chamberlain segment, has heavy rail capable of supporting jumbo hopper cars.

The local option lines are extensions off the core system except for four miles from Britton to the Burlington Northern Junction. The remaining local option lines are Chamberlain to Kadoka, Napa to Platte and Sioux Falls to Trent. All local option lines have light-weight rail not capable of supporting the jumbo hopper cars.

The non-operating purchase is the line from Kodoka to Rapid City. This line will not be operated, but will be held intact in the event this path is needed as a Rapid City connection at some future time.

The lease/option lines include the segment from the Iowa/South Dakota border to a yard near downtown Sioux City, Iowa; from Elk Point (East Wye Switch) to Canton; and from Canton to Sheldon, Iowa. These segments were not part of the initial purchase because of their location in the State of Iowa and the need for special consideration by the State Legislature.

Although the State has purchased certain local option lines, it is not responsible for operations nor financial support on these lines. This is the responsibility of a duly constituted Regional Railroad Authority.

The South Dakota statutes provide that two or more political subdivisions can form a Regional Railroad Authority (RRA). RRA's can set their own boundaries, make their own rules, can set a mill levy, and have the authority to issue bonds. It is the responsibility of the RRA to lease the line from the State, secure an operator or operate it themselves, and finance operations, maintenance or construction.

Maintenance and Operation

The 1981 State Legislature provided the necessary authority and statutes to secure an operator for the core system and to finance projected short-term operating shortfalls. The State has solicited qualifications from operators and is currently negotiating with selected operators who demonstrated to be most capable. It is expected that a decision will be made and a contractual agreement reached early in 1981. Operations could begin as soon as July 1, 1981.

The core system, because of deferred maintenance and

being idle for over a year, needs repair prior to beginning operations. The State has an application before the Federal Railroad Administration (FRA) to provide grant funds to perform Class I track repair prior to operations. Proposals have been issued and bids received for this work. Pending FRA approval, this contract will be awarded in May 1981. This rehabilitation work is currently scheduled to be performed in three stages: (1) The first work will be from Sioux Falls to Wolsey via Canton and Mitchell which is scheduled for the month of June, 1981; (2) The second segment, Chamberlain to Scotland via Mitchell, is scheduled for the month of July; (3) The last segment is from Scotland to Elk Point which is scheduled for the month of August, 1981. Upon completion of this work the entire core system will be in Class I operating condition (10 mph speed limit). Pending final outcome of the Federal 803 grant program to states, the core may receive additional work during the Summer of 1981 to increase the speeds on certain segments to 25 mph. President Reagan's proposed federal spending cuts currently has this proposed work on hold.

Economics of the Long Haul

There has been much debate during the past two years on why the State should or should not get involved in the rail business. We are clearly faced with the choice of railroad or no railroad, for no Class I carrier indicated a willingness to own and operate these additional rail lines in South Dakota. Railroads have demonstrated that they are 3-7 times more fuel efficient than trucks for long hauls of bulk commodities. The core system concept maximizes the benefits of trucks for short hauls and uses rail for the long hauls. The fundamental underlying reason to provide rail service is that rail transportation efficiencies will return more money to the producer.

Experience shows that following rail abandonment, transportation costs increase in the range of 10 cents to 35 cents per hundredweight; thereby costing the producer millions of dollars. This happens because the grain is trucked all the way to market, by-passing local rail heads. However, this loss need not exist. The efficiencies and advantages of short-haul trucking, utilized in conjunction with long-haul rail usage, acts to reduce transportation costs. There are very few areas of the State that produce sufficient quantities of grain for export that lies beyond a 50 mile radius of the core system or another operating line. Without the core system this distance would increase substantially as would the cost of transportation.

A healthy, competitive and complementary transportation system in South Dakota is absolutely necessary for the State to grow and prosper. Such a transportation system is important not only to agriculture, but to all industrial sectors located in the State or that may someday be located here.

Many of the State's citizens are concerned about getting involved in rail operations; especially operations that require a continued subsidy because of operating losses. They ask, "How can the State run this system at a profit while the Milwaukee Road went bankrupt?" The State, through strategic planning and proposed modifications, is proposing a system that is projected to operate at a profit after the 3rd or 4th year. The transportation system is being restructured to one with less rail mileage, but better rail service. The increasing need to move grain to port terminals for export rather than the historic movement to domestic mills will require an increasing share of South Dakota's grain to leave the State by rail. Statistics demonstrate that commodities moving by rail to market range from 12% to 20% in areas served by branch lines

or areas that receive poor service. However, in areas that have access to better rail service, where large hoppers are used, the percentage of commodities that move to market by rail increases upwards to 75%. Therefore, if the core operator provides a better level of service, he would increase the market available to the railroad substantially. The opportunities suggest a three-fold to five-fold increase in rail traffic, but on a fewer number of miles.

It is also proposed that operations on the core system utilize modified work rules. It has been suggested that two-man crews and no caboose are adequate for the proposed operation. This would substantially reduce the crew requirements and labor costs compared to historic costs.

The biggest obstacle railroad companies have to overcome is making a reasonable return on investment. When the railroad owns the land and track, they have to show their stockholders a return on that investment—maybe 16-17% return before taxes. However, with the core system, South Dakota owns the land and track. The State does not need to show the public that it received a 16-17% return in terms of cash back to the State. Rather, cash back to the producer in terms of lower cost transportation is the goal. The core will provide favorable rates and other positive impacts that rail transportation can achieve.

Another major area addressed that will help increase rail traffic relates to car availability. The core operator will be required to furnish an adequate supply of rail cars to serve the area. The Milwaukee Road has historically been car-poor in their service to the State and many shippers have been forced to use trucks when rail cars could not be secured.

The Miles City Connection

The remaining major Milwaukee Road track in South Dakota is the Miles City extension through Aberdeen. This line is important in that it provides an outlet for grain, but probably more important it provides access to the Big Stone Power Plant which serves thousands of electric customers in a four (4) state area. The plant requires about 2.7 million tons of coal per year and would be forced to shut down without this rail line.

The first Milwaukee Road reorganization plan did not include the Miles City extension. The reason for its omission was immediate track improvement needs demanding up-front capital that did not exist within the company. Efforts by the State of South Dakota convinced the Trustee that the continuation of the main line was in the public interest. In conjunction with this, South Dakota, North Dakota, Minnesota and Montana pledged \$1,860,000 in federal funds available to them to be applied to immediate track repair work on the line. The three electric companies owning the power plant and the coal mine company provided the bulk of the required match for the project. The total project cost was \$2.3 million and was performed during the 1979 construction season. A similar type repair project was performed during the 1980

construction season. This was a \$4 million project with the railroad supplying \$1.5 million of its own funds. These two projects were intended to keep the line in service in light of the need for \$49 million additional track work.

The efforts of the states and the shippers have kept the line in service and in the Trustee's reorganization plan. However, the Interstate Commerce Commission (ICC) rejected the plan on March 19, 1980. A new plan will be filed May 15, 1981. The main point for rejecting the plan was stated to be the inability of the Milwaukee Road to generate 11% profit on their investment.

The new reorganization plan may or may not include the Miles City extension. The outcome hinges solely upon the success of the railroad in securing a low interest deferred payment loan to address the long-term rehabilitation needs of the line. Such a loan may be available through the FRA loan program.

The great concern over the outcome of this line prompted the Governors from South Dakota, North Dakota, Minnesota and Montana to meet on the issue. The states are pursuing the concept of establishing a trust fund to guarantee the loan that the Trustee could ask of the FRA. The four states would put up about \$2 million and the utility companies an additional \$5 million which would be sufficient to guarantee repayment of the loan in the event of default on the part of the Milwaukee Road. The crucial point is that the loan has to be at a low interest rate and a deferred payment concept, one tailored after the FRA loan program. With higher rates, the ICC could take a portion of the expenditures and calculate it as a base line and expect a larger return rate to support the line. The project is designed to be a three year project to increase the speed and improve safety on the line from near Minneapolis, Minnesota to Miles City, Montana. The project must be implemented in 1981 for operational reasons and to remain in the Trustee's reorganization plan.

Summary

It is firmly believed that restored rail service on certain Milwaukee Road lines in the State of South Dakota is in the best interests of agriculture and other industry in the State. It is also believed that the proposed operations on this system can be achieved in the long-run without continued State financial commitments. The Miles City, Montana extension must also be preserved and be made a part of the Milwaukee II restructuring plan. This line is critical to existing and future coal moves plus it provides a West Coast connection for shippers on the line and the core system.

At press time the drama on the fate of railroads in South Dakota continues. On May 8, 1981 the South Dakota Supreme Court ruled that the Legislative Act to increase the motor fuel tax by 1 cent to support the operation of the railroad is unconstitutional. A special session of the Legislature has been called for May 18 to resolve this problem.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
For 1979 and 1980
(\$000's)

The dollar amount reported as TOTAL GROSS
on the South Dakota Department of Revenue
state and city sales and use tax return.

	Jan.-Dec. 1979	Jan.-Dec. 1980	% Change 1979/1980		Jan.-Dec. 1979	Jan.-Dec. 1980	% Change 1979/1980		Jan.-Dec. 1979	Jan.-Dec. 1980	% Change 1979/1980
REGION I				REGION III (Cont)				REGION V (Cont)			
Brookings	169,563	182,067	7.4	Brule	47,118	51,166	8.6	Dewey	24,265	25,032	3.2
Brookings	139,613	153,494	8.5	Chamberlain	35,493	37,490	5.6	Eagle Butte	10,364	12,158	17.3
Elkton	6,571	6,412	-2.4	Kimball	10,016	11,784	17.2	Isabel	4,774	4,419	-7.4
Volga	7,603	6,406	-15.8	Charles Mix	67,670	70,397	4.0	Timber Lake	7,161	6,362	-11.2
Clark	26,871	27,417	2.0	Geddes	5,295	5,530	4.4	Haakon	31,195	32,154	3.1
Clark	17,185	17,663	2.8	Lake Andes	7,506	8,901	18.6	Phillip	27,943	28,144	.7
Codington	266,749	270,259	1.3	Platte	25,590	24,622	-3.8	Hughes	136,763	138,797	1.5
Watertown	256,992	258,253	.5	Wagner	27,233	29,099	6.9	Pierre	129,476	131,117	1.3
Deuel	25,683	27,151	5.7	Davison	258,413	260,981	1.0	Blunt	5,452	5,553	1.9
Clear Lake	15,654	16,349	4.4	Mitchell	244,987	245,984	.4	Hyde	20,606	20,680	.4
Gary	1,843	1,903	3.2	Douglas	30,756	32,010	4.1	Highmore	20,179	20,213	.2
Grant	67,217	71,880	6.9	Armour	9,833	10,526	7.0	Jones	18,646	18,877	1.2
Big Stone	2,286	2,860	25.1	Corsica	17,172	17,633	2.7	Murdo	16,568	16,895	2.0
Milbank	56,052	60,152	7.3	Gregory	47,416	52,290	10.3	Lyman	18,971	19,921	5.0
Hamlin	26,682	31,930	11.3	Eurke	9,180	9,333	1.7	Presho	6,984	6,723	-3.7
Bryant	6,118	6,941	13.5	Gregory	25,464	25,922	1.8	Mellette	4,763	5,243	10.1
Castlewood	3,900	4,395	12.7	Hanson	25,719	27,443	6.7	White River	2,846	3,109	9.2
Estelline	6,351	6,958	9.6	Alexandria	17,030	18,591	9.2	Perkins	35,717	34,981	-2.1
Hayti	6,090	5,675	-6.8	Emery	5,835	5,364	-8.1	Lemmon	29,434	28,568	-2.9
Kingsbury	56,708	60,469	6.6	Hutchinson	96,775	93,052	-3.8	Potter	42,394	44,949	6.0
Arlington	16,139	18,347	13.7	Freeman	36,083	35,549	-1.5	Gettysburg	28,722	28,740	.1
Desmet	17,612	17,578	-.2	Menno	12,113	10,314	-14.8	Hoven	12,068	13,244	9.8
Lake Preston	8,878	8,680	-2.2	Parkston	31,544	29,156	-7.6	Stanley	16,546	22,127	33.7
Lake	88,992	87,591	-1.6	Tripp	7,663	7,545	-1.5	Ft. Pierre	16,461	22,120	34.4
Madison	78,881	76,698	-2.8	Jerrard	26,329	31,710	20.4	Sully	18,878	16,087	-14.8
Miner	21,503	24,250	12.8	Wess. Sprgs.	18,835	21,438	13.8	Onida	17,342	14,446	-16.7
Howard	15,029	17,170	14.2	Sanborn	15,219	15,291	.5	Tripp	85,913	94,738	-1.4
Moody	47,294	53,817	13.8	Woonsocket	11,227	11,053	-1.5	Winnier	83,119	82,472	-.8
Colman	15,969	17,986	12.6	Yankton	244,767	256,844	4.9	Todd	15,790	16,282	3.1
Flandreau	22,745	24,459	7.5	Yankton	228,199	236,281	3.5	Mission	14,382	13,971	-2.9
TOTAL	799,261	836,831	4.7	TOTAL	931,700	964,637	3.5	Walworth	76,208	70,940	-6.9
REGION II				REGION IV				REGION VI			
Clay	70,787	70,786	.0	Beadle	186,181	200,385	7.6	Bennett	20,042	21,454	7.0
Vermillion	63,130	63,037	-.1	Huron	170,599	181,623	6.5	Martin	19,493	20,835	6.9
Lincoln	88,086	95,557	8.5	Brown	430,505	436,151	1.3	Butte	67,530	68,862	2.0
Canton	38,944	42,800	9.9	Aberdeen	382,207	389,364	1.9	Belle Fourche	54,222	55,422	2.2
Hudson	2,723	2,193	-19.5	Groton	17,837	19,432	8.9	Newell	6,438	7,374	14.5
Lennox	10,963	10,391	-5.2	Day	61,631	62,245	1.0	Custer	30,985	33,010	6.5
McCook	61,503	58,960	-4.1	Bristol	5,745	6,898	20.1	Custer	27,967	29,468	5.4
Bridgewater	11,668	11,325	-2.9	Waubay	3,980	3,919	-1.5	Fall River	43,490	43,611	.3
Canistota	6,659	5,858	-12.0	Webster	43,789	43,013	-1.8	Edgemont	11,825	11,410	-3.5
Salem	34,712	31,953	-7.9	Edmunds	34,581	33,912	-1.9	Hot Springs	22,957	27,798	-1.0
Spencer	4,751	5,462	14.7	Bowdle	8,654	8,334	-3.7	Harding	4,438	5,875	32.4
Minnehaha	1,619,945	1,714,515	5.8	Hosmer	2,436	2,677	9.9	Buffalo	3,681	4,873	32.4
Brandon	6,285	6,513	3.6	Ipswich	16,502	17,327	5.0	Jackson	16,398	15,909	-3.0
Colton	10,010	12,584	25.7	Roscoe	6,769	5,365	-20.7	Kadoka	14,735	14,038	-4.7
Dell Rapids	26,097	26,919	3.1	Faulk	19,318	18,015	-6.7	Lawrence	215,038	301,412	40.2
Garretson	11,679	15,501	32.7	Faulkton	10,619	8,499	-20.0	Deadwood	37,307	39,455	5.8
Hartford	9,919	11,213	13.0	Hand	38,850	36,262	-6.7	Lead	97,137	187,893	93.4
Sioux Falls	1,462,557	1,529,653	4.6	Miller	34,073	31,915	-6.3	Spearfish	51,115	49,903	-2.4
Turner	54,608	69,920	28.0	Marshall	40,863	42,510	4.0	Whitewood	18,347	12,505	-31.8
Centerville	6,221	6,211	-0.0	Britton	32,403	31,911	-1.5	Meade	79,150	79,897	.9
Marion	16,725	21,454	28.3	McPherson	24,402	24,950	2.2	Faith	7,972	8,825	10.7
Parker	12,484	14,411	15.4	Eureka	18,643	18,830	1.0	Sturgis	60,288	58,272	-3.3
Wiborg	8,824	11,682	32.4	Leola	4,896	5,126	4.7	Pennington	904,829	916,210	1.3
Union	115,348	113,667	-1.5	Roberts	62,668	62,295	-.6	Rapid City	838,414	849,506	1.3
Alcester	16,467	17,687	7.4	Sisseton	28,224	30,069	6.5	Wall	18,844	21,031	11.6
Beresford	34,135	34,926	2.3	Willmot	9,431	9,893	4.9	Shannon	6,783	6,713	-1.0
Elk Point	33,885	25,959	-23.4	Spink	49,417	52,049	5.3	Pine Ridge	2,695	2,331	-13.5
N. Sioux City	23,932	28,396	18.7	Doland	3,124	3,465	10.9	Washabaugh	628	473	-24.8
TOTAL	2,010,277	2,123,405	5.6	Redfield	35,224	34,686	-1.5	TOTAL	1,389,311	1,493,426	7.5
REGION III				REGION V				STATE TOTAL			
Aurora	19,895	20,980	5.5	Buffalo	1,228	647	-47.3		6,664,238	6,977,922	4.7
Plankinton	9,521	8,133	-14.6	Campbell	18,200	19,730	8.4				
Bon Homme	51,624	52,474	1.6	Herreid	7,597	7,248	-4.6				
Avon	10,439	8,837	-15.3	Corson	14,320	13,590	-5.1				
Scotland	11,860	12,312	3.8	McIntosh	2,646	2,671	.9				
Springfield	8,809	8,011	-9.0	McLaughlin	6,889	6,763	-1.8				
Tyndall	16,254	18,227	12.1								
Tabor	4,869	4,992	2.5								

LOCAL BUSINESS CONDITIONS				PROSPECTIVE PLANTINGS			
	Jan.-March 1980	Jan.-March 1981	% Change Jan.-March 1981/1980	South Dakota 1981 (000's of Acres)			
Aberdeen							
Advertising Lineage Index	201.0	198.8	- 1.1				
Building Permits	146,000	0	--				
Value of Postal Receipts	666,702	680,641	2.1				
Value of Postal Money Orders	108,887	114,852	5.5				
Telephones in Service (March)	28,912	28,943	0.1				
Brookings							
Building Permits	360,000	243,000	- 32.5				
Value of Postal Receipts	254,950	275,851	8.2				
Value of Postal Money Orders	51,707	55,709	7.7				
Huron							
Building Permits	32,000	38,850	21.4				
Value of Postal Receipts	267,207	266,724	- 0.2				
Value of Postal Money Orders	60,576	54,680	- 9.7				
Telephones in Service (March)	14,390	14,636	1.7				
Mitchell							
Building Permits	121,118	100,416	- 17.1				
Value of Postal Receipts	224,798	243,320	8.2				
Value of Postal Money Orders	52,798	67,339	27.5				
Telephones in Service (March)	14,694	14,973	1.9				
Pierre							
Building Permits	233,000	1,162,800	399.1				
Value of Postal Receipts	426,547	355,700	- 16.6				
Value of Postal Money Orders	59,172	61,004	3.1				
Telephones in Service (March)	15,478	15,650	1.1				
Rapid City							
Advertising Lineage Index	185.1	184.8	- 0.2				
Building Permits	983,957	868,661	- 11.7				
Value of Postal Receipts	877,696	958,582	9.2				
Value of Postal Money Orders	274,102	242,851	- 11.4				
Telephones in Service (March)	64,669	63,777	- 1.4				
Sioux Falls							
Advertising Lineage Index	222.7	197.5	- 11.3				
Building Permits	2,051,677	2,744,875	33.8				
Value of Postal Receipts	2,072,044	2,342,370	13.0				
Value of Postal Money Orders	315,219	283,750	- 10.0				
Telephones in Service (March)	86,623	87,632	1.2				
Watertown							
Building Permits	74,275	160,472	116.1				
Value of Postal Receipts	276,192	766,920	177.7				
Value of Postal Money Orders	60,320	62,292	3.3				
Telephones in Service (March)	16,586	16,738	1.0				
Yankton							
Building Permits	518,600	529,500	2.1				
Value of Postal Receipts	694,328	833,501	20.0				
Value of Postal Money Orders	72,357	89,882	24.2				
Telephones in Service (March)	13,794	13,803	0.1				

Crop	Acreage Planted		Intentions 1981	1981 as % of 1980	
	1979	1980			
Alfalfa	3,440	3,480	3,410	98	5
All Corn	485	485	560	115	3
All Sorghum	2,300	2,200	2,300	105	0
Oats	560	535	550	103	0
Barley	700	780	740	95	0
Soybeans	270	285	210	74	5
Flaxseed	175	250	255	102	2
Durum Wheat	1,200	2,600	2,650	102	0
Other Spring Wheat ¹	620	525	450	86	9
All Sunflower	4,300	4,160	4,350	105	

¹Other than durum.

²Harvested acreage.

TELEPHONES IN SERVICE SELECTED CITIES--SOUTH DAKOTA March 1980 and 1981

City	March 1980	March 1981	% Change 1981/80
Aberdeen	28,912	28,943	0.1
Belle Fourche	4,849	4,903	1.1
Canton	3,348	3,347	-0.03
Chamberlain	2,802	2,929	4.5
Deadwood	3,294	3,353	1.8
DeSmet	1,714	1,751	2.2
Elk Point	1,308	1,825	0.9
Hot Springs	4,068	4,194	3.1
Huron	14,390	14,636	1.7
Lead	3,607	3,617	0.3
Madison	6,726	6,767	0.6
Milbank	4,956	5,068	2.3
Mitchell	14,694	14,973	1.9
Mobridge	4,278	4,321	1.0
Philip	NA	NA	--
Pierre	15,478	15,650	1.1
Rapid City	64,669	63,777	-1.4
Redfield	4,295	4,385	2.1
Sioux Falls	86,623	87,632	1.2
Sturgis	6,473	6,485	0.2
Tyndall	1,333	1,309	-1.8
Vermillion	9,376	9,230	-1.6
Watertown	16,586	16,738	0.9
Webster	2,808	2,873	2.3
Wessington Springs	1,770	1,767	-0.2
Winner	4,659	4,666	0.2
Yankton	13,794	13,803	0.1

Source: Northwestern Bell, Sioux Falls, South Dakota.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS January-March 1981 United States

Item	Jan.	Feb.	Mar.	% Change Feb.-Mar. 1981
All Items	260.5	263.2	265.1	.7
Food & beverages	261.4	263.7	265.0	.5
Food	268.6	270.8	272.2	.5
Alcoholic beverages	193.7	195.9	197.1	.6
Housing ¹	279.1	280.9	282.6	.6
Shelter	300.1	300.5	301.6	.4
Rent, residential	200.9	201.9	203.0	.5
Homeownership	335.8	335.8	336.8	.3
Fuel & other utilities ¹	296.7	304.5	308.4	1.3
Fuels ¹	375.4	387.4	393.7	1.6
Fuel oil, coal & bottled gas	625.9	675.6	693.4	2.6
Gas (piped) & electricity ¹	318.5	322.9	326.7	1.2
Other Util. & Pub. Services	171.9	173.6	174.0	.2
Household furnishing & operation ¹	212.6	214.9	216.9	.9
Apparel & upkeep	181.1	182.0	185.1	1.7
Transportation	264.7	270.9	273.5	1.0
Private transportation	262.9	269.4	271.7	.9
Public transportation	286.4	288.1	293.9	2.0
Medical care	279.5	282.6	284.7	.7
Entertainment ¹	214.4	216.7	218.2	.7
Other goods & services ¹	226.2	227.4	228.7	.6

¹Index series has undergone a change in title and/or definition.

NOTE: Index applies to a month as a whole, not to any specific dates.

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

HOURS AND EARNINGS OF PRODUCTION OR NONSUPERVISORY WORKERS
IN SELECTED GROUPS IN SOUTH DAKOTA
March 1980 and March 1981

	AVERAGE WEEKLY EARNINGS		AVERAGE WEEKLY HOURS		AVERAGE HOURLY EARNINGS	
	March 1981	March 1980	March 1981	March 1980	March 1981	March 1980
South Dakota Statewide						
Manufacturing	\$285.80	240.40	41.3	38.9	6.92	6.18
Durable Goods	263.40	219.23	40.9	40.3	6.44	5.44
Lumber & Furniture	252.50	204.27	40.4	35.9	6.25	5.69
Fabricated Metals and Mach.	259.13	211.04	40.3	39.3	6.43	5.37
Nondurable Goods	309.00	259.81	41.7	37.6	7.41	6.91
Food and Kindred Products	371.94	299.67	42.9	37.6	8.67	7.97
Paper, Printing, & Publishing	215.68	203.46	35.3	34.9	6.11	5.83
Sioux Falls SMSA						
Manufacturing	416.25	302.59	45.0	39.4	9.25	7.68
Durable Goods	261.88	230.68	41.9	40.4	6.25	5.71
Nondurable Goods	449.23	322.18	45.7	39.1	9.83	8.24
Rapid City SMSA						
Manufacturing	244.30	190.34	34.9	30.9	7.00	6.16

Source: South Dakota Department of Labor

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THE UNIVERSITY OF SOUTH DAKOTA
VERMILLION, SOUTH DAKOTA 57069

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TOTAL PERSONAL INCOME
United States, Plains Region and States
Fourth Quarter 1979 to Fourth Quarter 1980
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1979 4th Qtr.	1980 1st Qtr.	1980 2nd Qtr.	1980 3rd Qtr.	1980 4th Qtr.	% Change 3rd Qtr. - 4th Qtr. '80
United States	2,010,035	2,062,761	2,088,490	2,155,782	2,228,277	3.4
Plains States	150,700	153,708	153,795	158,134	162,250	2.6
Iowa	25,794	26,355	26,281	26,844	27,340	1.8
Kansas	22,625	22,721	22,974	23,693	24,467	3.3
Minnesota	37,044	38,009	37,964	39,001	39,978	2.5
Missouri	41,506	42,509	42,390	43,780	44,927	2.6
Nebraska	13,442	13,687	13,641	14,122	14,352	1.6
North Dakota	5,243	5,404	5,493	5,536	5,902	6.6
South Dakota	5,048	5,024	5,052	5,159	5,284	2.4

TAXABLE RETAIL SALES
In Selected Cities
of South Dakota
(000's of Dollars)

	4th Qtr. 1980	4th Qtr. 1979	% Change 4th Qtr. 1980 from 4th Qtr. 1979	Full Year 1980	Full Year 1979	Percent Change
Aberdeen	54,226	52,121	4.0	187,438	181,863	3.1
Belle Fourche	7,418	7,399	.3	26,097	25,467	2.5
Brookings	23,055	22,077	4.4	79,475	73,692	7.8
Chamberlain	4,904	4,668	5.1	17,237	16,041	7.5
Dell Rapids	2,204	2,416	-8.8	8,384	8,926	-6.1
Huron	23,675	23,548	.5	82,983	83,679	-.8
Lead	5,653	4,824	17.2	22,012	18,317	20.2
Madison	9,181	9,567	-4.0	33,194	32,980	.6
Wibank	7,946	7,454	6.6	27,615	26,558	4.0
Hitchell	29,636	29,770	-.4	105,294	107,442	-2.0
Yorbridge	6,599	6,517	1.3	23,350	22,138	5.5
Pierre	20,120	18,730	7.4	72,645	68,932	5.4
Rapid City	106,667	102,245	4.3	379,021	374,925	1.1
Sioux Falls	177,949	166,968	6.6	616,725	598,475	3.0
Vermillion	8,997	8,827	1.9	33,042	31,565	4.7
Vatertown	34,578	33,369	3.6	118,836	115,659	2.7
Vinner	7,932	8,010	-1.0	28,023	28,423	-1.4
Yankton	23,486	22,380	4.9	83,956	82,182	2.2
Total	554,226	530,890	4.4	1,945,326	1,897,264	2.5

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
March 1980 and March 1981
(In 000's)

	March 1981	March 1980	% Change March 1981 from March 1980
Total Nonagricultural	229.8	235.6	- 2.5
Manufacturing	25.3	27.3	- 7.3
Durable Goods	12.9	14.2	- 9.2
Lumber and Furniture	1.1	1.3	-15.4
Fabricated Metals & Machinery	8.6	9.8	-12.2
Other Durable Goods	3.2	3.1	3.2
Nondurable Goods	12.4	13.1	- 5.3
Food and Kindred Products	7.3	7.7	- 5.2
Paper, Printing & Publishing	2.4	2.4	0.0
Other Nondurable Goods	2.7	3.0	-10.0
Nonmanufacturing	204.5	208.3	- 1.8
Mining	2.7	2.8	- 3.6
Construction	7.6	9.0	-15.6
Transportation & Public Utilities	13.5	13.2	2.3
Railroads	1.1	1.1	0.0
Other Transportation	6.6	6.4	3.1
Communications & Public Utilities	5.8	5.7	1.8
Trade	61.7	64.8	- 4.8
Wholesale Trade	16.8	17.9	- 6.1
Durable Goods	7.6	8.6	-11.6
Nondurable Goods	9.2	9.3	- 1.1
Retail Trade	44.9	46.9	- 4.3
Finance, Insurance & Real Estate	10.9	10.9	0.0
Services	48.9	48.8	0.2
Hotels, Amuse., Pers. & Business	11.6	12.1	- 4.1
Medical and Health	20.8	19.2	8.3
Educational, Membership & Social	14.0	14.8	- 5.4
Other	2.5	2.7	- 7.4
Government	59.2	58.8	0.7
Federal	10.7	10.8	- 0.9
State	16.3	16.2	0.6
State Education	8.1	8.2	- 1.2
Other	8.2	8.0	2.5
Local	32.2	31.8	1.3
Local Education	19.5	19.2	1.6
Other Local	12.7	12.6	0.8

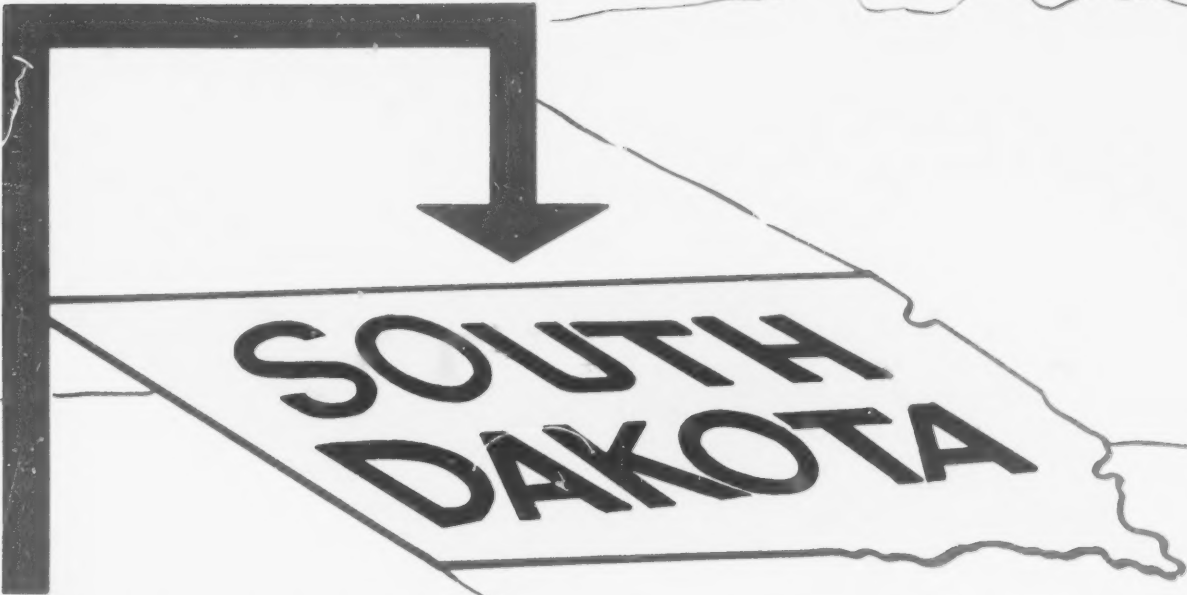
Source: South Dakota Department of Labor

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD--SOUTH DAKOTA
MARCH 1980 and MARCH 1981

Commodity and Unit	Base Period Price 1910-1914 Average	Price March 1981	Price March 1980	March 1981 Price as % of Base	Percent March 1981 Price Above or Below March 1980
Wheat Bu.	\$.85	\$ 4.18	\$ 3.72	492	+12.37
Corn Bu.	.51	2.91	1.99	571	+46.23
Oats Bu.	.35	1.89	1.24	540	+52.42
Barley Bu.	.59	2.88	2.19	488	+31.51
Flaxseed Bu.	1.68	7.27	5.96	433	+21.98
Milk, whsl. Cwt.	1.82	13.30	12.10	731	+ 9.92
Eggs Doz.	.196	---	.392	---	---
Cattle Cwt.	5.24	61.30	64.70	1170	- 5.26
Calves Cwt.	6.08	68.00	79.50	1118	-14.47
Hogs Cwt.	7.07	38.10	30.80	539	+23.70
Sheep Cwt.	4.24	31.00	40.60	731	-23.65
Lambs Cwt.	5.66	54.70	64.30	966	-14.93
Wool Lb.	.178	.930	.680	522	5.68

Source: South Dakota Crop and Livestock Reporter

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Supply Side Economics

Raymond J. Ring

Editor's Note:

The concept of supply side economics refers to economic policy that directly affects increasing the supply of goods and services. The stimulation of capital investment is seen as a step in the achievement of that goal. The recently passed tax cut is offered as a means of stimulating that capital investment. The action of the Congress provides the opportunity to test supply side economics. In the May issue of the *South Dakota Business Review*, Dr. Ring addressed this topic with the timely article, "Supply Side Economics: What Is It?" He now concludes his investigation with the questions, "Why Is It Now Being Advocated?" and "Will It Work?"

Dr. Raymond J. Ring is Assistant Professor of Economics at the School of Business, University of South Dakota, Vermillion, South Dakota.

Why Is It Now Being Advocated?

Recent increased interest in supply side economics can be attributed primarily to three related factors: productivity, inflation, and self-interest.

Productivity:

Many observers of the economic scene are concerned by the reduced rates of growth (in some cases even actual declines) in productivity of the United States economy. Table 1 presents data for output per hour of all persons working in the private business sector and the annual rate of change of that variable. The more obvious effects on output per hour occur during recessions. While employers will lay off some workers during a recession, they are reluctant to lay off many others with special skills or experience, because of the cost of replacing them later. They will instead keep some employees, even though they cannot use them to their full potential during the recession. As a result, output per hour falls because of hiring and firing practices, not because employees are less willing to work or because they have poorer equipment to work with. Nevertheless, even after adjustment of this data problem, it is clear that there has been a long-term decline in the rate of growth of productivity. The longer run trend toward slower growth in productivity becomes more apparent by averaging out some recession-induced changes for five year periods as shown in Table 2.

TABLE 1
INDEX OF OUTPUT PER HOUR AND ANNUAL PERCENTAGE CHANGE
All Persons, Private Business Sector, 1951-1980
(1977=100)

Year	Output Per Hour	Annual % Change	Year	Output Per Hour	Annual % Change
1951	51.8	2.8	1966	80.6	3.1
1952	53.4	3.2	1967	82.4	2.2
1953	55.2	3.2	1968	85.2	3.3
1954	56.0	1.6	1969	85.4	0.2
1955	58.2	4.0	1970	86.1	0.9
1956	58.9	1.0	1971	89.2	3.6
1957	60.3	2.5	1972	92.4	3.5
1958	62.2	3.1	1973	94.8	2.7
1959	63.1	1.6	1974	92.7	-2.3
1960	65.1	3.1	1975	94.8	2.3
1961	67.3	3.3	1976	97.9	3.3
1962	69.8	3.8	1977	100.0	2.1
1963	72.5	3.7	1978	99.8	-0.2
1964	75.5	4.3	1979	99.4	-0.4
1965	78.2	3.5	1980	99.0	-0.4

Source: Economic Report of the President, January 1981 and Monthly Labor Review, April 1981.

TABLE 2
AVERAGE ANNUAL RATES OF CHANGE IN OUTPUT PER HOUR
All Persons, Private Business Sector
5 Year Periods, 1951-1980

Time Period	Average Annual % Change	Time Period	Average Annual % Change
1950-55	2.9	1965-70	1.9
1955-60	2.3	1970-75	1.9
1960-65	3.7	1975-80	0.9

Source: Calculated from Table 1.

Another measure of productivity is National Income Per Person Employed (NIPPE). This measure increased at an average annual rate of 2.6 percent during the 1948-1973 period, but declined at an average annual rate of 0.6 percent during the 1973-76 period. It increased in 1977 and 1978, but declined again in 1979. In 1979, NIPPE was still below what it had been in 1973.¹

Many advocates of supply side economics argue that lower rates of return on savings and investment have reduced capital investment, reducing the amount of capital equipment available to each worker, and thus reducing workers' productivity.

They also argue that increased government interference has further reduced the ability of business to efficiently use whatever plants, equipment, and labor are available. In the view of advocates of supply side economics, supply side policies will reverse this decline in productivity.

Inflation:

Because inflation has continued at high rates for several years, many economic analysts believe that an "inflationary psychology" is prevalent in the economy, and that the only way to reduce inflation is to reduce inflation expectations. One way to do this is to follow a very restrictive policy, primarily by reducing rates of growth of the money supply and/or reducing government deficits. This restrictive policy will in turn cause reductions in rates of economic growth (if not actual declines in economic activity) and increases in unemployment. It is felt that these decreases in demand for output and increases in unemployment are necessary to reduce inflation rates and, eventually, reduce inflation expectations as people experience inflation rates below what they expected.

This is obviously a very costly way to reduce inflationary expectations. There are clear economic losses any time actual output is below potential output. There are also many other costs in the form of reduced self-esteem, family problems, higher rates of illnesses, and even higher death rates during periods of high unemployment. It is clearly desirable to find the least onerous way to "wring out" these inflation expectations. Advocates of supply side economics feel that their policies will go far in reducing the negative effects of restrictive policies aimed at reducing inflation expectations. Simple supply and demand analysis shows that an increase in the supply for goods and services will of itself tend to reduce prices. Thus, if supply can be increased at the same time that demand is being decreased with restrictive monetary and fiscal policies, inflation should be reduced more rapidly than it would otherwise be. It may be possible to reduce inflation expectations more rapidly with a combination of restrictive demand and expansionary supply policies, thus shortening the period of serious adverse effects.

Increasing productivity may reduce problems in another related way. In general, the relationship among changes in wages, prices, and productivity is given by the equation:

$$\text{Wage Change} = \text{Price Change} + \text{Productivity Change.}$$

Thus, if productivity grows more rapidly, then it is possible to maintain the same rate of wage growth with lower inflation.

Self Interest:

It is not completely clear that supply side economics will be as successful as many of its advocates claim. Some critics claim (and some statistical studies indicate) that lower rates of return have little effect on saving and investment and that productivity declines are primarily due to factors other than taxation and government. If this is true, supply side economics will probably have little effect on output or inflation. Still, many supply side prescriptions include reductions in taxes, especially on corporations and higher income persons. Thus, many advocates of supply side policies stand to gain from their implementation, whether or not they work.

Will It Work?

This section considers available evidence that might give some clue as to whether supply side policies will work. No attempt is made to "make a case" for or against supply side economics—that has already been done in many places and in

many ways. Readers who expect an "answer" to the question that serves as the heading for this section are hereby warned of almost certain frustration.

Productivity

It may be instructive to examine the causes of recent declines in productivity, since some of those causes may be more susceptible to supply side policies than others. Table 3 shows the results of one extensive study of components of change in NIPPE in the 1948-73 and 1973-76 periods and of the decline of growth between those two periods.

Table 3
Sources of Growth of National Income per Person Employed,
Nonresidential Business Sector, 1948-73 and 1973-76

Percentage Points		
Item	1948-73	1973-76
Adjusted growth rate	2.6	-0.6
Changes in labor characteristics		
Hours at work	-0.2	-0.5
Age-sex composition	-0.2	-0.3
Education	0.5	0.9
Changes in capital and land per person employed		
Nonresidential structures and equipment	0.3	0.2
Inventories	0.1	0.0
Land	0.0	0.0
Improved allocation of resources	0.4	0.0
Legal and human environment	0.0	-0.4
Economies of scale from larger markets	0.4	0.2
Advances in knowledge and n.e.c.	1.4	-0.7

n.e.c. Not elsewhere classified.

2 Source: Denison, *Accounting for Slower Economic Growth: The United States in the 1970's*, The Brookings Institution, Washington, D.C., 1979, p. 2.

As previously stated, many advocates of supply side economics attribute lower productivity growth to lower levels of capital investment. However, the figures for "nonresidential structures and equipment" show that while changes in capital per worker did contribute to declining productivity, the contribution was a very small part of the total decline. It should be kept in mind that the measure here is **income per person employed**. "Capital contributed more to the growth of national income, but much of the increase in the capital stock was matched by increased employment."³

"Legal and human environment" of Table 3 refers to businesses' reallocation of labor and capital to pollution reduction, protection of employee health and safety, and crime prevention.⁴ These factors had no effect on productivity in 1948-73, but contributed significantly to the 1973-76 decline. Less stringent government regulations might reverse some of the depressing effects on productivity, but they would probably also reverse substantial gains in pollution reduction and employee safety (neither of which is included in measures of production). Thus, while economic growth might be enhanced, other elements of quality of life would probably be diminished.

As Table 3 shows, other factors were much more important than either capital investment or government regulation in reducing productivity. "Improved allocation of resources" increased productivity by 0.4 percentage points in the 1948-73

(Continued on page 6)

Trend of Business

After a healthy first quarter in which real Gross National Product posted gains at an annual rate of 8½ percent, the signals of the second quarter are that the economy continues to suffer recovery pains. News that second quarter real GNP declined at an annual rate of 1.9 percent prompts some analysts to predict another decline in real GNP in the third quarter. Other economists are not willing to go that far, but there is substantial agreement that at best the third quarter's economic activity will be flat. Historically, a recession has been acknowledged if there are two consecutive quarters of declining GNP.

The U.S. Department of Commerce Composite Index of Leading Indicators is designed to forecast business activity. After registering a modest increase in April, this indicator dropped 1.5 percent in May and another 1.3 percent in June, additionally supporting the premise that business activity will be stagnant in the third quarter.

Many believe that the tight monetary policy that has driven the prime rate to 20½ percent, national mortgage rates to 17 percent, and Treasury bills to over 15 percent, is responsible for the current slide in business activity. However, this policy, coupled with the passage of the tax package, has led to the strengthening of the dollar to its best level in over a decade relative to foreign currencies. This holds positive implications for foreign investments in the U.S.

Also on the brighter side, inflation has cooled off from its double-digit onslaught and is expected to remain in the 8-9 percent range for the year. Unemployment, which has been stable at about 7.4 percent, may rise a little in the fourth quarter, but is expected to fall back to about 7 percent by the end of next year. Sales of new autos have been slow since March, but Chrysler posted profits of \$11.6 million in the second quarter, its first quarterly gain since the fourth quarter of 1978. Ford and GM also announced second quarter increases which were attributed in part to cost reductions, increased production, and higher prices which have been raised four times in the past year. Personal income in the U.S. did increase 2.9 percent from fourth quarter 1980 to first quarter 1981 with the majority of the components increasing for the period except for farm income which declined 5.1 percent.

Congress has just passed the biggest tax reduction bill in history which will put the supply side economic philosophy to the test. It is expected that the provisions of the tax package will give the economy a much-needed shot in the arm: 25 percent reduction in individual income tax rates over 33 months; reduction of corporate tax rates at the two lowest

levels; faster tax write-offs for plant and equipment; larger amounts excluded from estate and gift taxes and elimination of transfer tax between spouses; and tax-exempt savings certificates.

On the farm scene, timely and substantial rains have blessed nearly all of the Corn Belt and record yields are predicted. Concurrently, it is reported that negotiations will open soon with the Soviet Union regarding a new grains agreement. Cattle and calves on hand in the U.S. on July 1 are estimated at 2 percent above a year ago and fed cattle marketings may be too heavy for the market to absorb without a down-trend in prices.

On the South Dakota scene, the recently revised indices of business activity in South Dakota displayed mixed outcomes. The personal income index in South Dakota rose only 0.8 percent in the first quarter of 1981 compared to the fourth quarter of 1980. Compared to the first quarter of 1980, South Dakota's personal income declined slightly. Contributing significantly to personal income's slow growth rate was farm proprietor's income which continued its downturn movement for the fifth consecutive quarter.

Following the second quarter 1980 decline in South Dakota's real taxable retail sales, this indicator has continued its slow upward growth. Contrary to the national experience, new car sales made a strong comeback in the second quarter of 1981 compared to the first quarter of this year. New truck sales, however, maintained its downward movement for the third consecutive quarter.

Construction employment in South Dakota continued to decline into the second quarter of 1981 despite the hiring of approximately 800 pipeline workers across South Dakota. The unemployment rate remained unchanged for the first two quarters of 1981.

Row crops in South Dakota have been benefitted by above normal rainfall and topsoil moisture for most of the State is termed adequate; but subsoil moisture is still on the short side. The rains have slowed harvest of small grains, limiting field work in some areas. Destructive winds and belts of hail have pounded some areas. Pasture conditions are still well below normal, but improving. It is estimated that 2 percent fewer cattle and calves were on hand in the State on July 1 than on the same date a year earlier.

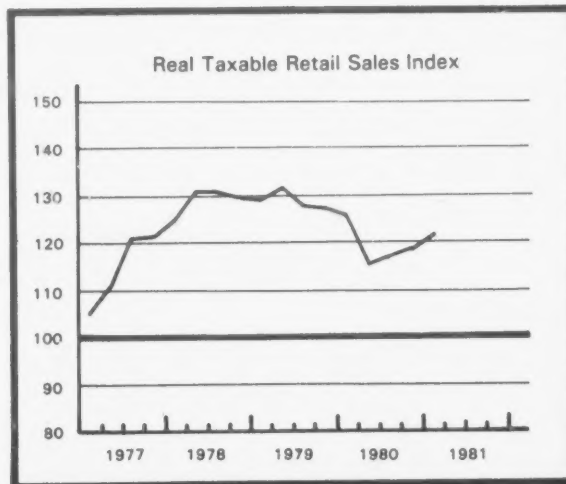
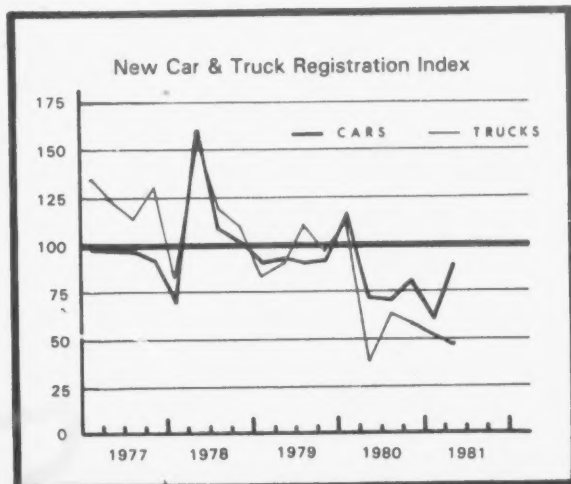
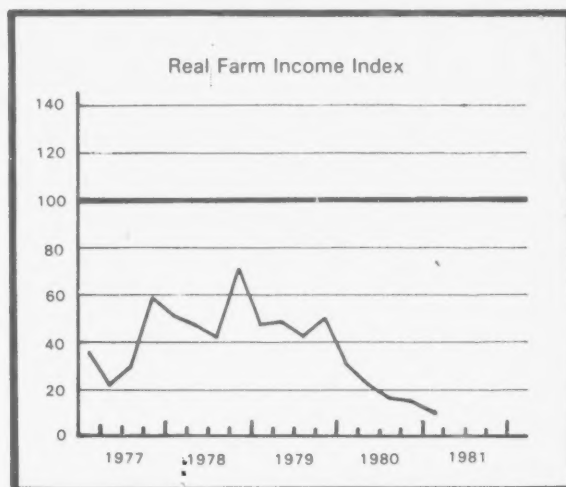
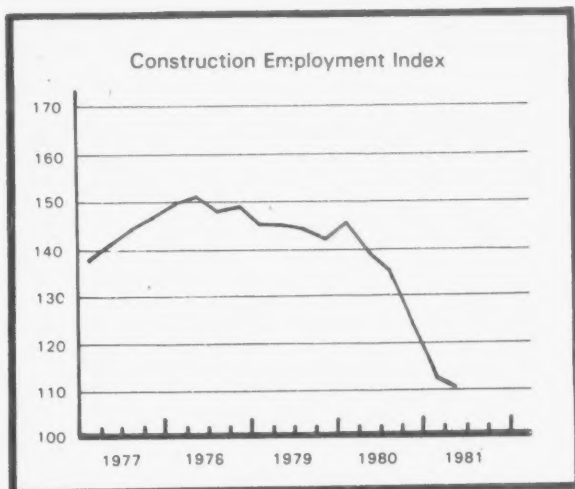
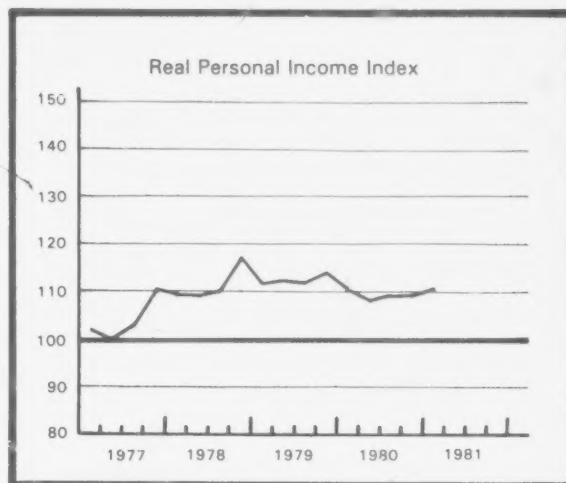
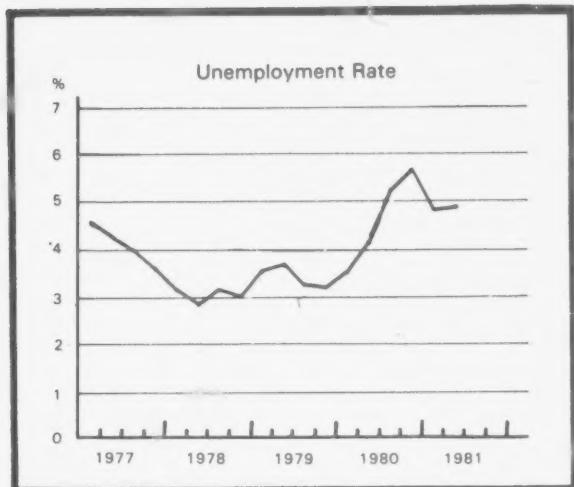
More detail on South Dakota's business indices can be found in the accompanying table and chart.

SD Business Indices
1980-1981, By Quarter
Seasonally Adjusted
(1972 = 100)

	1980				1981	
	1st	2nd	3rd	4th	1st	2nd
Personal Income	110.6	108.4	109.4	109.5	110.4	- - -
Farm Proprietors Income	33.0	22.5	16.8	15.8	14.7	- - -
Taxable Retail Sales	124.8	116.1	117.2	119.8	121.8	- - -
Unemployment Rate	3.6	4.2	5.3	5.7	4.9	4.9
Construction Employment	145.7	139.3	135.9	124.7	112.7	110.8
New Cars	117.2	72.1	72.3	79.4	67.8	88.6
New Trucks	111.5	42.9	65.9	58.5	52.3	49.8

SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1977-1981
Adjusted for Seasonal Variation



SUPPLY SIDE ECONOMICS (Continued from page 3)

period, mostly because of "gains from reducing the percentage of the labor in the business sector that was overallocated to farming or misallocated to self-employment and unpaid family labor in non-farm enterprises too small for efficiency."⁵ Productivity grew even further during the earlier period as producers took advantage of economies of scale in meeting the demands of larger markets. Neither of these factors contributed greatly in the later period.

Changes in the labor force also affected productivity. The number of hours worked per employee declined in both periods, but considerably more rapidly in 1973-76. Whether supply side policies can slow or reverse this trend is examined in greater detail below. Greater proportions of young persons and women (both groups less experienced and thus less productive) also tended to reduce productivity, but again to a greater extent in the later period.

With the population as a whole becoming older, the labor force will become older and more experienced—and thus perhaps, more productive. The effects of age-sex composition on productivity decline probably dropped in the later 1970's and may be reversed in the 1980's.⁶ A related factor also enters at this point. The large increases in inexperienced workers during the past several years helped hold down wages relative to capital costs, providing an incentive for producers to use relatively more workers than capital, reducing measured productivity. This was particularly true in the Service sector. Future changes in the make-up of the work force should make labor relatively more costly, inducing producers to use more capital per worker, thereby raising workers' productivity.⁷

Education was the major positive contributor to productivity growth in 1973-76. It is not clear whether education will continue to provide these increases, particularly if spending in support of education declines in real terms, as is planned at the national level.⁸

The last category in Table 3 ("Advances in knowledge and not elsewhere classified") accounts for nearly two-thirds of the change in productivity growth between the two periods shown. Unfortunately, this category is also the most enigmatic. The author of the study reported in Table 3 believes that advances in knowledge contributed most of the 1.4 percentage points growth in this category in 1948-73, with other (not elsewhere classified) factors roughly offsetting one another. However, he does not feel that advances in knowledge accounted for the entire precipitous drop between that period and 1973-76. Of the many other factors that have been suggested (e.g., inflation, taxes, "people don't want to work anymore"), he feels that no single factor can account for the sudden change after 1973. "It is possible, perhaps even probable, that everything went wrong at once among the determinants that affect the residual series."⁹ He frankly admits that, "What happened is, to be blunt, a mystery."¹⁰

It is clear from this discussion that the cause of slower productivity growth are not well understood and that many of the causes that are understood (e.g., demographic changes) are not very sensitive to economic policy, particularly in the short run. Nevertheless, it may be possible to use policy to influence some of these factors. Thus, it is still important to examine whether policies advocated by supply side enthusiasts should be expected to work. This examination can be carried out in two ways. First, economic theory may tell us directly how we might expect these policies to work. Second, empirical research may give us some idea of how such policies have worked in the past. Empirical evidence is especially useful where economic theory gives ambiguous results.

Work Effort

According to supply side advocates, lower personal income taxes will leave workers with higher after-tax incomes, providing an incentive for more people to go to work and for those already working to work harder and longer. Higher wages do increase the rewards from working another hour (stated differently, leisure becomes more costly because it means giving up more wages), and thus, higher wages provide an incentive for workers to do more work. However, higher wages also mean more income for the same amount of work or the same income with less work. This provides an incentive to work fewer hours in order to have more time to take advantage of the increased income. These two responses are called, the "substitution effect" and the "income effect". The net result of higher wages depends on which effect is stronger. Supply side advocates clearly believe that the substitution effect is much stronger than the income effect. Microeconomic theory gives no clear a priori evidence for expecting one effect to be stronger than the other.

However workers may want to respond to wage changes, their actual responses are somewhat restricted by institutional limitations on the number of hours they can work. In many jobs, for example, the number of hours is set (usually at 40 per week), even though a worker might actually prefer to work more or less. Some flexibility is possible through overtime or "moonlighting", but these opportunities are limited and not available to all.

When theory is ambiguous, it is to be hoped that empirical analysis will provide more clear evidence. Several researchers have tried to determine how people respond to wage changes, including those due to changes in income tax rates. Several of these studies report surveys in which workers (either laborers or executives) were asked how they would respond to different types of taxes.

For the majority of the workers covered by these studies the effect of income taxation is of secondary importance. Typically, between 65 and 80 per cent report that their decisions are not materially influenced and the remainder are split fairly evenly between incentive and disincentive effects.¹¹

Most studies using econometric techniques have also found that wage changes have little effect on the supply of labor; most found that increases in wages are accompanied by small decreases in supply¹²—opposite the effect suggested by supply side advocates. One very recent study, using new statistical techniques, found that a lower income tax would significantly increase the supply of labor. Further substantiation of this finding awaits further tests of the new methodology.¹³

A related supply side issue concerns the effects of income transfers (e.g., welfare, social security, unemployment compensation) on work effort. Economic theory suggests that the "income effect" would override the "substitution effect," causing a decline in work effort. The limited experimental evidence available tends to support these predictions, but indicates that income maintenance programs have "a relatively moderate effect on the main wage earners and a much more substantial effect on secondary earners."¹⁴ These studies also found that income maintenance programs have other effects related to longrun productivity: improved school performance and willingness to stay in school, better nutrition, higher mobility.¹⁵

Saving

Another reason for favoring lower income taxes is the potential effect on household saving. Most economists agree

that households will save part of the increase in disposable personal income that results from lower income taxes. However, they disagree on how much will be saved. If a relatively small proportion is saved and the rest is consumed, the increased demand for goods and services could be very inflationary. Advocates of supply side economics believe that a very large proportion will be saved. Even if saving is substantial, many economists are concerned that consumption demand will be felt by producers before any increased investment can "come on line" to meet that demand. The result could be an interim period of inflationary pressure.

Lower income taxes (or exemptions of some interest and/or dividends from taxation) will also mean higher after-tax rates of return from savings. Again, theory suggests both an income and a substitution effect, with the net effect unclear. Most empirical studies have found that higher interest rates do cause an increase in saving, but the magnitude of this effect is still very much open to question. Most studies have found saving to be relatively insensitive to interest rate changes.¹⁶ However, Michael Boskin, using what appears to be more appropriate data and more sophisticated statistical techniques, found a rather large elasticity.¹⁷ To further complicate matters, a more recent study (including an attempt to replicate Boskin's results) again found less sensitivity of savings to interest rates.¹⁸ Besides the disparate results from what appear to be very similar studies and methods, further disagreements arise about which interest rate to use, how to measure inflation expectations, what statistical techniques to use, and what other data should be included in the studies. "Most economists would agree that, on net balance, there is a modest positive response of saving to tax cuts, especially at the outset."¹⁹

Investment

The effect of tax policy on investment is no less controversial than its effect on work effort or saving. One author compares research on the subject to:

... the earliest preseason games in professional football. Opportunity is provided for head-to-head contests between alternative investment functions, but the results are tantalizingly ambiguous.²⁰

Basic disagreements exist as to what factors have the greatest influence on investment.

Two areas of general agreement seem to have developed. One is that changes in economic activity strongly influence investment. "Governments that fail to keep their economies growing, in other words, are not likely to be able to make up for the investment lost on that account by the use of tax incentives." There also seems to be agreement that tax incentives do stimulate; the uncertainty is in knowing the magnitude of stimulus and which type of incentive (e.g., accelerated depreciation, investment tax credit, lower tax rate) is likely to have the greatest effect. "Only the amount, not the direction, of the effects is in doubt, and the use of such policy instruments may well be preferable to no action at all."²¹ This general agreement probably explains why most economists, whatever their economic or political leanings, currently favor some type of policy to encourage investment, while disagreeing on the efficacy of policies designed to stimulate work effort or saving.

Kennedy Tax Cut

Some advocates of supply side economics rely less on rigorous econometric evidence and more on the purported effects of economic policies enacted during the Kennedy Administration. These policies included 20 percent cuts in indi-

vidual and corporate income taxes (including faster depreciation and investment tax credit) and several other changes, and were followed by substantial increases in employment and output, with little inflation. While supply side enthusiasts anticipate a repeat performance from similar policies under the Reagan Administration, many other economists feel that different circumstances might produce different results in the 1980's. They point out that in the early 1960's the U.S. economy was coming out of a long period of economic stagnation, high unemployment, and low inflation, whereas much of the 1970's was characterized by an overheated economy and very high inflation.²² Some of them also point out that Kennedy Administration policies designed to stimulate investment preceded cuts in individual income taxes by about two years, leaving time for the investment to be put in place and begin producing output before aggregate demand was stimulated.²³

There is rather wide agreement that the Kennedy policies contributed significantly to "the spread of optimism and confidence" that was "most relevant in eliciting increased expenditures by consumers as well as business firms."²⁴ It remains to be seen whether such psychological effects can again be induced in the 1980's. In the view of one expert on such matters, "This will be a difficult task because early in 1981 a substantial proportion of Americans are discouraged, uncertain, and skeptical."²⁵

Summary

In summary, the evidence on supply side economics is decidedly mixed. Evidence judiciously chosen will strongly support policies being proposed; other evidence judiciously chosen can cause serious doubts. If supply side policies are put into effect in the early 1980's—as this is written that appears likely—it will provide a test of some of these policies. If the advocates are correct, the economy should be stronger as a result; if the skeptics are correct, serious results may occur, including even higher rates of inflation. In the words of one economist who has studied the national economic scene for a long time, "It is an interesting experiment, but we have only one economy to lose if it doesn't work."²⁶

FOOTNOTES

¹Edward F. Denison, "The Puzzling Setback to Productivity Growth," *Challenge* 23, no. 5 (November/December 1980), p. 6.

²Edward F. Denison, *Accounting for Slower Economic Growth: The United States in the 1970s* (Washington, D.C.: The Brookings Institution, 1979), p. 2.

³*Ibid.*, p. 3.

⁴*Ibid.*, p. 68.

⁵*Ibid.*, p. 3.

⁶*Ibid.*, p. 35.

⁷Jack Beebe and Jane Haltmeier, "Productivity Slowdown: II," *Federal Reserve Bank of San Francisco Weekly Newsletter*, November 1979, p. 12.

⁸Tax Foundation Incorporated, *The Reagan Budget for Fiscal 1982: A Summary* (Washington, D.C.: Tax Foundation Incorporated, April 1981), pp. 11-12.

⁹Denison, *Accounting for Slower Economic Growth*, p. 145.

¹⁰*Ibid.*, p. 4.

¹¹Anthony B. Atkinson and Joseph E. Stiglitz, *Lectures on Public Economics* (New York: McGraw-Hill Book Company, 1980), pp. 49-50.

¹²*Ibid.*, pp. 50-51.

¹³Jack A. Hausman, "Labor Supply" in Henry J. Aaron and Joseph A. Pechman, eds., *How Taxes Affect Economic Behavior* (Washington, D.C.: The Brookings Institution, 1981), pp. 50-55.

¹⁴Robert Ferber and Werner Z. Hirsch, "Social Experimentation and Economic Policy: A Survey," *Journal of Economic Literature* 16 (December 1978), p. 1387.

¹⁵*Ibid.*, p. 1388.

¹⁶Atkinson and Stiglitz, pp. 92-93.

¹⁷Michael J. Boskin, "Taxation, Saving, and the Rate of Interest," *Journal of Political Economy* 86, no. 2, part 2 (April 1978), pp. S3-S27.

¹⁸E. Philip Howrey and S.H. Hyman, "The Measurement and Determination of Loanable-Funds Saving," in Joseph A. Pechman, ed., *What Should be Taxed: Income or Expenditure?* (Washington, D.C.: The Brookings Institution, 1980), pp. 17-21.

¹⁹Walter W. Heller, "Kennedy's Supply-Side Economics," *Challenge* 24, no. 2 (May/June 1981), p. 16.

²⁰George F. Break, "The Incidence and Economic Effects of Taxation," in Alan S. Blinder, Robert M. Solow, et. al., *The Economics of*

Public Finance (Washington, D.C.: The Brookings Institution, 1974), p. 215.

²¹*Ibid.*, pp. 216-19. One more recent study with findings that appear to be generally consistent with these conclusions is Patric H. Hendershott and Sheng-Cheng Hu, "Investment in Producers' Equipment" in Aaron and Pechman, op. cit.

²²Two examples of discussions of the Kennedy tax cuts are Lewis Beman, "The Lessons for Reagan from Kennedy's Big Tax Cut," *Business Week*, February 23, 1981, pp. 128-29, and Robert E. Keleher, "Supply-Side Tax Policy: Reviewing the Evidence," *Federal Reserve Bank of Atlanta Economic Review* 66, no. 2 (April 1981), pp. 20-21. A somewhat different view, from one of the chief architects of the Kennedy policies, is Heller, op. cit.

²³Heller, pp. 16-18.

²⁴George Katona, "The Lessons of the 1964 Tax Cut: Will They Apply Today?" *Public Opinion* 4, no. 1 (February/March 1981), p. 9. Gene Koretz, "Economic Diary," *Business Week*, May 4, 1981, p. 16. These matters are also discussed in Beman and in Heller.

²⁵Katona, p. 9.

²⁶Otto Ekstein, quote in Beman, p. 128.

THE INTERN PROGRAM AND EMPLOYMENT STATISTICS FOR THE SCHOOL OF BUSINESS, UNIVERSITY OF SOUTH DAKOTA FOR SCHOOL YEAR ENDING MAY 16, 1981

Arthur A. Volk

HISTORY

The School of Business at the University of South Dakota began an internship program on a limited basis in 1968. An internship is the involvement of a student in a practical business experience. Three entities are involved: the business, the student, and the School of Business. The student experiences actual operations in a business for which credit is given by the School. There were 3 students with an internship the summer of 1968. No course credit was given at that time. During the year ending May 16, 1981 (Summer 1980, Fall 1980, and Spring 1981) there were a total of 175 different students on different internships.

These students, during the 1980-1981 school year had internships in accounting and management and received credit in those areas. The School of Business also has a major in Economics but there have been few student interns in that area to date—only one during the past year. Table I shows the breakdown by term and by major.

Table I

THE TOTAL NUMBER OF ALL STUDENTS HAVING INTERNSHIPS
SCHOOL OF BUSINESS - UNIVERSITY OF SOUTH DAKOTA
FOR THE 1980-1981 SCHOOL YEAR

	Accounting Majors	Management Majors	Total Of All
Summer Term, 1980	12	70	82
Fall Semester, 1980	1	22	23
Spring Semester, 1981	55	22	77
Sub Totals	68	114	182
Less: Students having Two Internships	3	4	7
Total Number of Different Students	65	110	175

The total of 175 internships from Table I were generally located in the immediate area. The greatest number of stu-

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dents, by far, interned in the state of South Dakota. The locations are shown in Table II.

Table II

LOCATIONS OF STUDENTS HAVING INTERNSHIPS
SCHOOL OF BUSINESS - UNIVERSITY OF SOUTH DAKOTA
FOR THE 1980-1981 SCHOOL YEAR
BY STATE

State	No. of Students
South Dakota	119
Iowa	24
Minnesota	10
Nebraska	6
All Other	16
Total	175

These students, in Table I and Table II, received course credit ranging from 1 to 8 semester hours of credit. The number of hours of credit is based on the amount of business experience obtained by the student. A committee recommends the number of hours to be awarded a particular internship. The hours are based upon information supplied by the firm offering the internship. The average number of hours received by the student is just under 6 hours.

In the first years of the internship program, the students participated only in the summers. The curriculum was then changed so that students could participate for one-half of a semester. Both the Fall semester and the Spring semester were split into two blocks. A semester was approximately 16 weeks, and each block, therefore, was made up of an 8 week period.

The Fall semester intern program didn't get enough participants, so we now have no block courses during the Fall semester. Accounting firms prefer to have the students the first block of the Spring semesters. The months of January, February and early March are busy times for practicing accountants. Because these are busy times, almost all of the

Spring semester interns are placed during the first block of the Spring semester. Second semester classes start the second week in January and student interns generally begin their internship right after January 1. They will have spent, then, 9 or 10 weeks before coming back to the University for classes during the second block of the Spring semester. This second block generally begins about the middle of March.

Because of the internship program, quite a number of courses in the School of Business are "on the block". A normal 3 hour course, that would meet 3 hours a week during a full semester, would meet 6 hours a week during one-half of the semester. And because of block courses, the School has courses that will run the first eight weeks of a semester, courses that will run the second eight weeks of a semester, and courses that run the full sixteen weeks of a semester.

There seems to be no great problems with the arrangement. This block arrangement does require a little more attention in the sectioning of classes. And, because many students are already interning before registration, someone must oversee this advanced registration. The program works very well.

MAY GRADUATES

Table I showed the total number of students having an internship during the 1980-1981 school year. Table III shows the number of students graduating in May, 1981, who had internships. The difference between the tables comes from the fact that students graduate in Summer 1980, December 1980, and after May 1981.

SUMMARY OF AN ECONOMIC SURVEY OF NON-PROFIT ARTS ORGANIZATIONS IN SOUTH DAKOTA

W. H. Bergman

Editor's Note: Under the auspices of the South Dakota Arts Council, the Business Research Bureau conducted a study of the non-profit arts organizations in South Dakota. Mr. Dale Jahr, Business Research Bureau served as principal researcher on the project and Mara Cunningham authored the final report. Project director was Dr. Jerry Johnson of the Business Research Bureau.

It has been stated that the main purpose of artistic and cultural institutions is to enhance the desire for creation in us all as well as to improve the sense and quality of life, rather than to generate money and jobs for the community. Furthermore, to judge the arts only in economically behavioral terms would split them from their basic aims and values. Nevertheless, the arts do compete with other activities in the community for financial support and therefore it is of interest to investigate whether the arts can help promote not only cultural, but also economic well-being. An economic impact study can probe whether there is a flow of money between the arts and the business community.

A recent study of non-profit arts organizations in the State reveals over 1.2 million admissions a year, not including colleges and recreation departments. Such a high level of cultural activity may surprise many, given that the entire population of the State is about 690,000 people. As many as 168 non-profit arts organizations in the State were surveyed and usable returns were received from 63 of them. About 90 percent of the state's population has access to the responding arts groups which included performing arts (theatres, music, dance, concerts) and community organizations (art centers, galleries, festivals, fairs, etc.).

Based on the information provided by these organizations, the arts in South Dakota is a \$1.7 million per year industry employing 1,264 full and part-time employees, administrators, artists, and support staff, most of whom are South Dakota residents. The annual payroll is about \$834,000 and over

Table III

THE TOTAL OF ALL STUDENTS HAVING INTERNSHIP
COMPARED TO THOSE GRADUATING IN MAY, 1981, BY MAJORS
SCHOOL OF BUSINESS - UNIVERSITY OF SOUTH DAKOTA
FOR THE 1980-1981 SCHOOL YEAR

	Total Number of Internships	Number of Students With Internships Graduating May 15, 1981	Total Graduates May 15, 1981
Summer, 1980			
Accounting	12	10	
Management	70	44	
Fall, 1980			
Accounting	1	0	
Management	22	22	
Spring, 1981			
Accounting	55	48	
Management	22	20	
Totals*			
Accounting	65	55	81
Management	110	82	118
Total	175	137	199

*The Total does not check with the three intern periods because 3 accounting majors and 4 management majors had two different internships.

The "Totals" in Table III show that 55 of the 81 accounting graduates of May 15, 1981 and 82 of the 118 management graduates had an internship experience. In other words, 68% of the accountants and 69% of the management majors were involved in an internship. Sixty-nine percent of all our May, 1981 graduates from the School of Business had some practical business experience.

\$887,000 are spent on goods and services. Overall, better than 82 percent of this money is paid to businesses and personnel within South Dakota.

An activity is important to a community's economic growth if it also brings in new dollars from out-of-state (or keeps dollars in a community by making it unnecessary to import goods, services, and talents). An industry may be important not only as a direct earner of outside monies, but also if it supports local industries that are significant earners of outside funds. It is estimated that 14 percent of the \$1.7 million arts industry income comes to South Dakota from out-of-state. It is possible that its absence (shrinkage) would have noticeable negative (even though indirect) effects on income drawn into business firms from outside sources.

In addition to the direct economic effects of the arts, there are also indirect economic effects. The money spent by institutions, their employees, guest artists, and audiences within a business community is in turn respend by those businesses and personnel. In this way, direct spending gives rise to additional rounds of spending that continues to circulate through the region. It is estimated that due to this multiplier effect, a dollar spent by the arts industry generates between 50 cents and \$1.00 in additional income in the State.

In addition to those directly employed, the arts industry involves a great many South Dakota residents who serve as volunteers. It is estimated that nearly 12 thousand people contribute in volunteer time the equivalent of 1.1 million hours as they work an average of approximately 2 hours a week for their favorite arts projects and organizations. At the minimum wage of \$3.35 per hour, this adds up to a hefty \$3.7 million of in-kind services.

These summary statistics suggest that the arts is a large and important activity in South Dakota.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
First Quarter 1980 and First Quarter 1981
(In \$000's)

The dollar amount reported as TOTAL GROSS
on the South Dakota Department of Revenue
State and City Sales and Use Tax Return

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION I			
Brookings	38,101	43,526	14.2
Brookings	31,877	35,114	10.2
Elkton	1,139	1,205	5.8
Volga	1,557	1,425	- 8.5
Clark	5,021	5,673	13.0
Clark	3,246	3,491	7.5
Codington	55,601	61,619	10.8
Watertown	53,619	58,903	9.9
Deuel	6,165	6,406	3.9
Clear Lake	3,843	4,139	7.7
Gary	435	367	-15.8
Toronto	1,595	1,479	- 7.3
Grant	15,781	16,827	6.6
Big Stone	766	505	-34.0
Milbank	13,308	14,323	7.6
Hamlin	5,966	6,546	9.7
Bryant	1,096	1,325	20.9
Castlewood	813	984	20.9
Estelline	1,418	1,447	2.0
Hayti	1,115	1,176	5.4
Kingsbury	11,612	12,831	10.5
Arlington	3,624	4,007	10.6
DeSmet	3,093	3,511	13.5
Lake Preston	1,834	1,605	-12.5
Lake	18,283	20,187	10.4
Madison	16,141	17,815	10.4
Miner	5,051	8,401	66.3
Howard	3,552	6,700	88.6
Moody	10,784	12,397	15.0
Colman	4,352	5,604	28.8
Flandreau	4,791	4,596	- 4.1
TOTAL	172,366	194,412	12.8

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION II			
Clay	15,901	16,478	3.6
Vermillion	14,487	15,042	3.8
Lincoln	16,536	17,420	5.3
Canton	7,767	9,456	21.8
Hudson	564	477	-15.5
Lennox	2,563	2,215	-13.6
McCook	13,766	13,645	- 0.9
Bridgewater	2,842	3,084	8.5
Canistota	1,024	986	- 3.7
Salem	7,980	7,027	-11.9
Spencer	922	1,519	64.8
Minnehaha	381,787	402,559	5.4
Brandon	1,339	1,563	16.7
Colton	2,097	2,752	31.2
Dell Rapids	5,185	5,805	12.0
Garretson	2,975	1,985	-33.3
Hartford	1,872	2,125	13.6
Sioux Falls	341,778	358,639	4.9
Turner	13,632	30,523	123.9
Centerville	1,413	1,307	- 7.5
Marion	4,628	11,451	147.4
Parker	3,899	3,690	- 5.4
Viborg	2,001	6,867	243.2
Union	19,660	21,599	9.9
Alcester	3,007	3,367	12.0
Beresford	5,930	6,574	10.9
Elk Point	2,697	2,863	6.1
N.Sioux City	6,860	7,741	12.8
TOTAL	461,283	502,224	8.9

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION III			
Aurora	5,467	4,516	-17.4
Plankinton	2,065	2,132	3.3
Bon Homme	12,551	12,805	2.0
Avon	2,231	2,118	- 5.1
Scotland	2,859	3,112	8.8
Springfield	2,103	1,892	-10.0
Tyndall	4,306	4,451	3.4
Tabor	1,030	1,209	17.4

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION III (Cont)			
Brule	10,164	12,228	20.3
Chamberlain	7,533	9,025	19.8
Kimball	2,210	2,693	21.9
Charles Mix	14,750	16,631	12.8
Geddes	1,340	1,432	6.9
Lake Andes	1,993	2,059	3.3
Platte	5,131	5,504	7.3
Wagner	5,884	7,163	21.7
Davison	60,229	62,200	3.3
Mitchell	56,881	56,685	- 0.3
Douglas	6,752	7,901	17.0
Armour	2,539	2,316	- 8.8
Corsica	3,483	4,773	37.0
Gregory	13,727	14,397	4.9
Burke	2,447	2,294	- 6.2
Gregory	6,430	6,352	- 1.2
Hanson	6,397	7,432	16.2
Alexandria	4,680	5,279	12.8
Emery	1,088	1,274	17.1
Hutchinson	19,535	19,627	0.5
Freeman	7,358	7,236	- 1.7
Menno	2,764	2,288	-17.2
Parkston	6,045	6,363	5.3
Tripp	1,694	1,629	- 3.8
Jerauld	6,270	6,231	- 0.6
Wess.Springs	4,619	4,045	-12.4
Sanborn	4,100	4,434	8.1
Woonsocket	3,094	3,354	8.4
Yankton	65,436	69,633	6.4
Yankton	62,390	66,459	6.5
TOTAL	225,378	238,034	5.6

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION IV			
Beadle	39,329	45,248	15.0
Huron	35,800	41,177	15.0
Brown	98,555	107,458	9.0
Aberdeen	88,877	96,724	8.8
Groton	4,198	4,654	10.9
Day	13,440	14,961	11.3
Bristol	1,581	1,636	3.5
Haubay	608	877	44.4
Webster	9,604	10,560	10.0
Edmunds	7,401	7,766	4.9
Bowdle	1,996	2,011	0.7
Hosmer	548	574	4.6
Ipswich	3,554	3,775	6.2
Roscoe	1,252	1,367	9.2
Faulk	3,902	4,143	6.2
Faulkton	1,906	2,036	6.8
Hand	8,507	7,480	-12.1
Miller	7,674	6,737	-12.2
Marshall	8,106	8,377	3.3
Britton	6,896	7,126	3.3
McPherson	5,486	5,582	1.7
Eureka	4,196	4,213	0.4
Leola	1,109	1,192	7.4
Roberts	12,391	14,204	14.6
Sisseton	6,665	7,291	9.4
Wilmot	1,775	2,270	27.9
Spink	10,328	11,130	7.8
Doland	541	674	24.6
Redfield	7,171	8,019	11.8
TOTAL	207,446	226,350	9.1

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION V			
Buffalo	243	1,383	470.0
Campbell	4,401	4,472	1.6
Herreld	1,695	1,370	-19.1
Corson	3,172	3,069	- 3.2
McIntosh	570	777	36.4
McLaughlin	1,521	1,553	2.1

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION V (Cont)			
Dewey	5,955	5,494	- 7.7
Eagle Butte	2,759	2,787	1.0
Isabel	1,119	919	-17.8
Timber Lake	1,613	1,377	-14.6
Haakon	6,073	8,879	46.2
Philip	5,321	8,160	53.3
Hughes	30,044	32,933	9.6
Pierre	28,837	31,212	8.2
Blunt	753	1,117	48.4
Hyde	4,014	3,737	- 6.9
Highmore	3,932	3,634	- 7.6
Jones	3,913	3,855	- 1.5
Murdo	3,507	3,592	2.4
Lyman	3,866	4,168	7.8
Presho	1,377	1,227	-10.9
Mellette	1,164	1,266	8.8
White River	690	780	13.0
Perkins	7,941	8,418	6.0
Lemmon	6,527	7,071	8.3
Potter	9,909	10,428	5.2
Gettysburg	6,475	6,616	2.2
Hoven	3,105	3,182	2.5
Stanley	6,494	4,454	-31.4
Ft. Pierre	6,493	4,452	-31.4
Sully	3,630	3,284	- 9.5
Onida	3,335	2,963	-11.1
Tripp	16,953	17,253	1.8
Winnier	16,418	16,721	1.8
Todd	4,002	4,140	3.4
Mission	3,268	3,590	9.8
Walworth	16,239	16,520	1.7
Selby	3,557	4,169	17.2
Mobridge	11,278	10,818	- 4.1
Ziebach	1,471	1,306	-11.2
Dupree	1,400	1,232	-12.0
TOTAL	129,483	135,059	4.3

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
REGION VI			
Bennett	5,115	5,504	7.6
Martin	4,981	5,385	8.1
Butte	14,806	16,276	9.9
Belle Fourche	11,728	13,338	13.7
Newell	1,734	1,793	3.4
Custer	6,184	6,552	6.0
Custer	5,594	5,857	4.7
Fall River	9,853	10,194	3.5
Edgemont	2,753	2,778	0.9
Hot Springs	6,233	6,322	1.4
Harding	1,169	1,435	22.8
Buffalo	940	1,288	37.0
Jackson	3,495	4,070	16.5
Kadoka	3,306	3,863	16.9
Lawrence	69,488	65,382	- 5.9
Deadwood	8,514	9,662	13.5
Lead	43,788	40,146	- 8.3
Spearfish	11,390	10,580	- 7.1
Whitewood	3,355	2,702	-19.5
Meade	18,858	18,355	- 2.7
Faith	1,877	1,787	- 4.8
Sturgis	14,369	13,386	- 6.8
Pennington	189,637	212,752	12.2
Rapid City	177,292	200,255	13.0
Wall	3,502	3,912	11.7
Shannon	1,749	1,380	-21.1
Pine Ridge	750	293	-60.9
Washabaugh	102	84	-17.1
TOTAL	320,456	341,987	6.7

	1st Qtr. 1980	1st Qtr. 1981	% Change 1980/1981
STATE TOTAL	1,516,411	1,638,067	8.0

LOCAL BUSINESS CONDITIONS

	Jan.-June 1980	Jan.-June 1981	% Change Jan.-June 1980/1981
Aberdeen			
Advertising Lineage Index	185.9	195.5	5.2
Building Permits	459,000	715,000	55.8
Value of Postal Receipts	1,345,054	1,428,033	6.2
Value of Postal Money Orders	208,499	246,303	18.1
Telephones in Service (June)	28,715	28,655	-0.2
Brookings			
Building Permits	715,900	1,161,100	62.2
Value of Postal Receipts	500,172	598,848	19.7
Value of Postal Money Orders	107,211	111,488	4.0
Huron			
Building Permits	339,500	138,930	-59.1
Value of Postal Receipts	522,730	565,408	8.2
Value of Postal Money Orders	118,024	119,490	1.2
Telephones in Service (June)	14,434	14,559	0.9
Mitchell			
Building Permits	1,004,004	464,088	-53.8
Value of Postal Receipts	459,411	526,614	14.6
Value of Postal Money Orders	108,323	125,148	15.5
Telephones in Service (June)	14,549	14,635	0.6
Pierre			
Building Permits	1,012,000	1,616,400	59.7
Value of Postal Receipts	886,630	879,478	-0.8
Value of Postal Money Orders	117,470	130,006	10.7
Telephones in Service (June)	15,576	15,628	0.3
Rapid City			
Advertising Lineage Index	180.6	193.8	7.3
Building Permits	1,942,799	1,697,311	-12.6
Value of Postal Receipts	1,779,767	2,020,761	13.5
Value of Postal Money Orders	521,488	499,243	-4.3
Telephones in Service (June)	64,207	63,026	-1.8
Sioux Falls			
Advertising Lineage Index	214.5	195.9	-8.7
Building Permits	6,756,669	5,207,932	-22.9
Value of Postal Receipts	4,126,348	4,932,310	19.5
Value of Postal Money Orders	603,972	560,094	-7.3
Telephones in Service (June)	85,855	86,775	1.1
Watertown			
Building Permits	818,956	944,939	15.4
Value of Postal Receipts	570,592	1,690,057	196.2
Value of Postal Money Orders	116,355	142,534	22.5
Telephones in Service (June)	16,400	16,873	2.9
Yankton			
Building Permits	770,600	890,500	15.6
Value of Postal Receipts	1,243,674	1,307,628	5.1
Value of Postal Money Orders	137,775	179,813	30.5
Telephones in Service (June)	13,671	13,441	-1.7

CROP PRODUCTION SUMMARY			
South Dakota			
July 1, 1980			
(000's Bushels)			
	1980	1981	% Change 1981/1980
Corn, for Grain	-	-	-
All Wheat	62,425	80,425	28.8 %
Durum Wheat	4,085	5,175	26.7
Other Spring Wheat	37,440	49,500	32.2
Winter Wheat	20,900	25,750	23.2
Rye	4,030	2,835	-29.7
Oats	66,000	71,400	8.2
Barley	13,860	18,000	29.9
Flaxseed	3,445	1/	-
Soybeans	20,020	1/	-
Sorghum, for Grain	10,725	1/	-
Hay, all Grain 2/	5,359	1/	-

1/ The first production forecast will be released in August.

2/ Yield and production in tons.

Source: South Dakota Crop & Livestock Reporter.

TELEPHONES IN SERVICE In Selected Cities of South Dakota June 1980 and 1981

	June 1980	June 1981	% Change 1981/80
Aberdeen	28,715	28,655	-0.2
Belle Fourche	4,851	4,902	1.1
Canton	3,345	3,341	-0.1
Chamberlain	2,837	2,922	3.0
Deadwood	3,316	3,379	1.9
DeSmet	1,718	1,752	2.0
Elk Point	1,737	1,791	3.1
Hot Springs	4,091	4,274	4.5
Huron	14,434	14,559	0.9
Lead	3,609	3,595	-0.4
Madison	6,479	6,483	0.1
Milbank	4,990	5,118	2.6
Mitchell	14,549	14,635	0.6
Mobridge	4,304	4,306	0.0
Pierre	15,576	15,628	0.3
Rapid City	64,207	63,026	-1.8
Redfield	4,334	4,414	1.8
Sioux Falls	85,855	86,775	1.1
Sturgis	6,440	6,478	0.6
Tyndall	1,297	1,314	1.3
Vermillion	7,935	8,032	1.2
Watertown	16,400	16,873	2.9
Webster	2,818	2,845	1.0
Wessington Springs	1,768	1,761	-0.4
Winner	4,665	4,685	0.4
Yankton	13,671	13,441	-1.7

Source: Northwestern Bell, Sioux Falls, South Dakota.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS UNITED STATES January-June 1981

Group	Jan.	Feb.	March	April	May	June	% Change Jan.-June 1981
ALL Items	260.5	263.2	265.1	266.8	269.0	271.3	4.1
Food & beverages	261.4	263.7	265.0	265.7	265.4	266.5	2.0
Food	268.6	270.8	272.2	272.9	272.5	273.6	1.9
Alcoholic beverages	193.7	195.9	197.1	197.8	199.1	199.8	3.1
Housing	279.1	280.9	282.6	284.8	288.5	292.2	4.7
Shelter	300.1	300.5	301.6	303.8	308.4	312.6	4.2
Rent, residential	200.9	201.9	203.0	204.2	205.9	206.8	2.9
Homeownership	335.8	335.8	336.8	339.3	345.0	350.4	4.3
Fuel & other utilities	296.7	304.5	308.4	310.5	314.9	320.2	7.9
Fuels	375.4	387.4	393.7	396.5	403.3	411.7	9.7
Fuel oil, coal & bottled gas	625.9	675.6	693.4	690.6	685.8	682.0	9.0
Gas (piped) & electricity	318.5	322.9	326.7	330.6	339.6	350.2	10.0
Other utilities & Pub. Services	171.9	173.6	174.0	175.1	176.2	177.1	3.0
Household furnishings & operation	212.6	214.9	216.9	219.2	220.1	221.1	4.0
Apparel & upkeep	181.1	182.0	185.1	186.4	186.4	185.8	2.6
Transportation	264.7	270.9	273.5	275.3	277.8	279.9	5.7
Private transportation	262.9	269.4	271.7	273.4	276.0	277.9	5.7
Public transportation	286.4	288.1	293.9	297.2	297.7	303.9	6.1
Medical care	279.5	282.6	284.7	287.0	289.0	291.5	4.3
Entertainment	214.4	216.7	218.2	219.2	220.3	220.8	3.0
Other goods & services	226.2	227.4	228.7	229.9	232.2	233.4	3.2

Source: U.S. Department of Labor, Bureau of Labor Statistics

SCHOOL OF BUSINESS MANAGERIAL DEVELOPMENT WORKSHOPS 1981-1982

SEPTEMBER	FEBRUARY
11th Intro to Supervision	11th Communications
25th Conflict Management	26th Training Tools: Experiential Learning
OCTOBER	MARCH
8th Secretarial Effectiveness	5th Handling Complaints Effectively
23rd Situational Leadership	12th Employee Morale
NOVEMBER	26th Finance for Non-Financial Person
6th Management for Accountants	APRIL
19th Performance Appraisal	2nd Productivity
DECEMBER	16th Supervisor as Trainer
4th Stress Management	MAY
JANUARY	7th Training Tools: Presentation Skills
8th Accounting for Non-Accountants	21st Micro-computers in the Small Business
22nd Career Development	JUNE
	18th Training Tools: Small Group Problem Solving

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HOURS AND EARNINGS OF PRODUCTION OR NONSUPERVISORY WORKERS
IN SELECTED GROUPS IN SOUTH DAKOTA
June 1980 and June 1981

	AVERAGE WEEKLY EARNINGS		AVERAGE WEEKLY HOURS		AVERAGE HOURLY EARNINGS	
	June 1981	June 1980	June 1981	June 1980	June 1981	June 1980
South Dakota Statewide						
Manufacturing	\$277.31	265.49	41.7	40.9	6.65	6.49
Durable Goods	253.97	226.55	40.7	39.4	6.24	5.75
Lumber & Furniture	261.02	242.57	41.3	39.7	6.32	6.11
Fabricated Metals and Mach.	252.63	220.79	40.1	38.6	6.30	5.72
Nondurable Goods	301.74	304.01	42.8	42.4	7.05	7.17
Food and Kindred Products	365.12	368.55	44.8	45.5	8.15	8.10
Paper, Printing, & Publishing	\$242.85	214.17	36.3	35.4	6.69	6.05
Sioux Falls SMSA						
Manufacturing	371.79	376.20	45.9	45.6	8.10	8.25
Durable Goods	275.40	261.14	40.5	40.3	6.80	6.48
Nondurable Goods	391.98	402.01	47.0	46.8	8.34	8.59
Rapid City SMSA						
Manufacturing	239.71	195.89	35.2	31.8	6.81	6.16

Source: South Dakota Labor Bulletin, June 1981

BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
VERMILLION, SOUTH DAKOTA 57069

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TOTAL PERSONAL INCOME
United States, Plains Region and States
1980 and First Quarter 1981
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1980				1981	% Change
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	4th Qtr. '80 1st Qtr. '81
United States	2,062,761	2,088,490	2,155,782	2,228,277	2,292,539	2.9
Plains States	153,708	153,795	158,134	162,250	166,315	2.5
Iowa	26,355	26,281	26,844	27,340	27,935	2.2
Kansas	22,721	22,974	23,693	24,467	24,992	2.1
Minnesota	38,009	37,964	39,001	39,978	41,091	2.8
Missouri	42,509	42,390	43,780	44,927	46,189	2.8
Nebraska	13,687	13,641	14,122	14,352	14,694	2.4
North Dakota	5,404	5,493	5,536	5,902	5,996	1.6
South Dakota	5,024	5,052	5,159	5,284	5,418	2.5

Note: Detail may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
June 1980 and June 1981
(In 000's)

	June 1981	June 1980	% Change from June 1980
Total Nonagricultural	239.4	242.7	- 1.4
Manufacturing	26.7	25.6	4.3
Durable Goods	13.5	12.9	4.7
Lumber and Furniture	1.1	1.1	0.0
Fabricated Metals & Machinery	8.7	8.5	2.4
Other Durable Goods	3.7	3.3	12.1
Nondurable Goods	13.2	12.7	3.9
Food and Kindred Products	7.5	7.7	- 2.6
Paper, Printing & Publishing	2.4	2.4	0.0
Other Nondurable Goods	3.3	2.6	26.9
Nonmanufacturing	212.7	217.1	- 2.0
Mining	2.8	2.9	- 3.4
Construction	10.5	11.9	-11.8
Transportation & Public Utilities	13.3	13.5	- 1.5
Railroads	1.2	1.2	0.0
Other Transportation	6.3	6.4	- 1.6
Communications & Public Utilities	5.8	5.9	- 1.7
Trade	63.5	65.6	- 3.2
Wholesale Trade	17.1	17.6	- 2.8
Durable Goods	7.7	8.1	- 4.9
Nondurable Goods	9.4	9.5	- 1.1
Retail Trade	46.4	48.0	- 3.3
Finance, Insurance & Real Estate	11.3	11.2	0.9
Services	51.0	51.9	- 1.7
Hotels, Amuse., Pers. & Business	13.7	14.3	- 4.2
Medical and Health	21.3	20.0	6.5
Educational, Membership & Social	13.3	14.7	- 9.5
Other	2.7	2.9	- 6.9
Government	60.3	60.1	0.3
Federal	10.7	10.9	- 1.8
State	16.8	16.5	1.8
State Education	6.5	6.4	1.6
Other	10.3	10.1	2.0
Local	32.8	32.7	0.3
Local Education	18.2	18.0	1.1
Other Local	14.6	14.7	- 0.7

Source: South Dakota Department of Labor

TAXABLE RETAIL SALES
In Selected Cities
of South Dakota
(000's of Dollars)

	1st Qtr. 1981	1st Qtr. 1980	Percent Change 1st Qtr. 1981 from 1st Qtr. 1980
Aberdeen	42,769	40,291	6.2
Belle Fourche	6,020	5,204	15.7
Brookings	19,603	18,264	7.3
Chamberlain	3,790	3,498	8.4
Dell Rapids	1,906	1,890	0.8
Huron	19,456	18,283	6.4
Lead	5,682	4,438	28.0
Madison	7,439	7,446	-0.1
Milbank	6,674	6,646	0.4
Mitchell	23,270	22,753	2.3
Mobridge	5,528	5,182	6.7
Pierre	18,361	15,837	15.9
Rapid City	82,238	74,977	9.7
Sioux Falls	142,855	132,362	7.9
Vermillion	8,149	7,823	4.2
Watertown	27,534	25,749	6.9
Winner	6,782	6,365	6.6
Yankton	19,277	18,296	5.4
Total	447,317	415,320	7.7

Source: South Dakota Sales and Use Tax Report

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD--SOUTH DAKOTA
June 1980 and June 1981

Commodity and Unit	Base Period Price 1910-1914 Average	Price		June 1981 Price as % of Base	Percent June 1981 Price Above or Below June 1980
		June 1980	June 1981		
Wheat Bu.	.85	4.06	4.07	479	+ 0.2
Corn Bu.	.51	2.25	2.97	582	+32.0
Oats Bu.	.35	1.36	1.96	560	+44.1
Barley Bu.	.59	2.36	2.81	476	+19.1
Flaxseed Bu.	1.68	5.90	7.50	446	+27.1
Milk, whsl. Cwt.	1.82	11.80	12.60	692	+ 6.8
Eggs Doz.	.196	.288	NA	NA	--
Cattle Cwt.	5.24	65.40	58.20	1111	-11.0
Calves Cwt.	6.08	81.90	70.00	1151	-14.5
Hogs Cwt.	7.07	32.90	47.10	666	+43.2
Sheep Cwt.	4.24	17.50	19.70	465	+12.6
Lambs Cwt.	5.66	65.80	63.90	1129	- 2.9
Wool Lb.	.178	.910	.940	528	+ 3.3

Source: South Dakota Crop and Livestock Reporter

3200 printed at an estimated cost of 23.7 cents each for education purposes.